50 YEARS

LIVING THE LEGACY: CONTINUING THE JOURNEY

2022

CENTRAL BANK OF BARBADOS

ANNUAL REPORT

ABOUT THE COVER

The year 2022 represented a major milestone for the Central Bank of Barbados.

The Bank celebrated its golden anniversary, having been established by an Act of Parliament on May 2, 1972, and marked the occasion with a yearlong celebration of activities that captured its multifaceted role in Barbadian society, namely economic advisor, financial regulator and supporter of the arts, culture, and education.

Towards the end of the year, the Bank, the sole issuer of Barbados' national currency, introduced redesigned and upgraded banknotes that for the first time were printed on polymer.

The cover of the 2022 Annual Report captures these two achievements. The dark backdrop offers contrast, focusing the eye on the special 50th anniversary logo, which encapsulates both the Bank's regular logo and an outline of the Tom Adams Financial Centre, perhaps the most iconic symbol of the organisation. Positioned below it are the words ***"Living the Legacy: Continuing the Journey,"*** the theme of the golden jubilee celebrations.

With the logo and theme appearing in white, the images of the new banknotes become the sole element in colour, highlighting their vibrant, modern, and newly vertical design.

CENTRAL BANK OF BARBADOS

50 YEARS

LIVING THE LEGACY:

CONTINUING THE JOURNEY

John Redman Bovell

A scientist and agronomist who was credited with rescuing Barbados' sugar industry in the late 19th century.

Sir Frank Worrell

A member of the legendary 3Ws, he was considered to be one of the world's greatest cricketers.

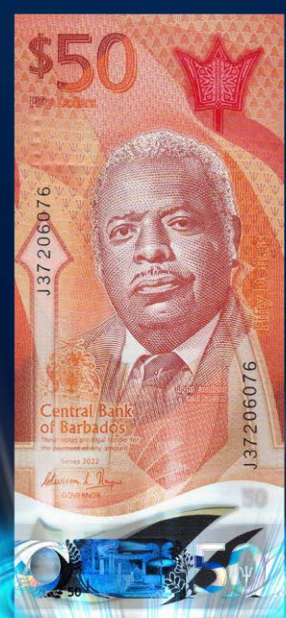
The Right Excellent
Charles Duncan O'Neal

A doctor and politician who fought for improved conditions for women in the workplace and for the abolition of child labour.

The Right Excellent
Samuel Jackman Prescod

A journalist, politician and social activist who became the first non-white man to sit in the House of Assembly, representing the City of Bridgetown in 1834.

The Right Excellent
Errol Walton Barrow



Barbados' Father of Independence. He introduced free secondary and tertiary education, national insurance and social security, and improved health services.

The Right Excellent
Sir Grantley Adams

Barbados' first Premier. He was involved in several social reforms including universal adult suffrage and minimum wage legislation.

CONTENTS

CENTRAL BANK OF BARBADOS

Tom Adams Financial Centre
Church Village, Bridgetown
BB11126 Barbados, W.I.
(246) 429-7179

kevin.greenidge@centralbank.org.bb

March 31, 2023

The Hon. Mia Amor Mottley, Q.C., M.P.
Prime Minister, Minister of Finance,
Economic Affairs and Investment
Government Headquarters
Bay Street
ST. MICHAEL

Dear Prime Minister:

In accordance with Section 68(3) of the Central Bank of Barbados Act, 2020-30, I have the honour on behalf of the Board of Directors to submit to you in your capacity as Minister of Finance, the Bank's Annual Accounts for the year ended December 31, 2022 as certified by the External Auditors, together with the Report on the Bank's operations during 2022.

Sincerely,

Dr. Kevin Greenidge
Governor

Encs.

centralbank.org.bb

CORPORATE PROFILE

The Central Bank of Barbados ("the Bank") was established by an Act of Parliament in 1972. In December 2020, a new *Central Bank of Barbados Act, 2020* was passed in the Parliament of Barbados, which prescribes two objectives for the organisation. The primary objective is to maintain the value of the Barbados currency and the secondary objective is to promote financial stability that is conducive to the orderly and sustained economic development of Barbados.

MISSION STATEMENT

To foster an economic and financial environment conducive to sustainable economic growth and development.

OUR VISION

To create and maintain an institution of world class excellence.

OUR VALUES

Leadership and Innovation
We will nurture creativity, seek out new ideas, embrace change, and execute our tasks efficiently and on a timely basis. We will listen to, inspire, and motivate our stakeholders. We will promote critical and strategic thinking and nimbleness to achieve high performance.

Governance
We commit to adhere to the structures and policies approved by the Board in order to inform, direct, and monitor the organisation's activities towards the achievement of our objectives.

Integrity and Transparency
We acknowledge that our performance, success, and reputation hinge on the highest standards of ethical behaviour. We, therefore, promise to provide open communication and to be consistent in our application of policies across the organisation. We will always practise honesty and fiscal responsibility in all of our undertakings as a way of building trust among our stakeholders and garnering public support for our policy initiatives.

Accountability
We will, in all our actions, demonstrate timeliness, openness and accuracy with our work, information, and data. We will ensure the safety and security of all assets and resources under our responsibility so as to engender the confidence of all our constituents.

Respect and Empathy
We will recognise everyone's value and worth in the workplace, genuinely listening to and considering their points of view. We will be sensitive to each other's thoughts and experiences.

Team Spiritedness
We commit to engendering a caring spirit in the workplace where staff are supportive of, and collaborate with, each other to achieve objectives. We will encourage enthusiasm in all our endeavours and bring a positive attitude to our mission, vision, and values.

GOVERNOR'S MESSAGE

Dr. Kevin Greenidge
GOVERNOR

The year 2022 has been one of transition at both the national and organisational levels. Nationally, we welcomed the lifting of COVID-necessitated restrictions on travel, entertainment, and socialising, which underpinned the return to relative normalcy from a social and economic perspective. As a result, the Barbados economy recorded significant growth of approximately 10 percent, primarily on the strength of a rebound in the tourism sector. The impetus provided by the upturn in tourism activity boosted other key economic sectors, thereby contributing to a reduction in unemployment and a corresponding decrease in jobless claims.

The protracted Russia-Ukraine conflict and ongoing global supply chain disruptions stoked inflationary pressures in international food and energy markets, causing significantly higher payments for imports and a spike in domestic retail price inflation.

The stock of gross international reserves was lower than the comparable figure at the end of the previous year. This was due to the combined effects of reduced public sector inflows from multilateral institutions and higher imports outweighing the improved foreign exchange earnings from the productive sectors.

Further support to Barbados' economic recovery was secured with the Government of Barbados entering into a second Enhanced Fund Facility (EFF) programme and a pioneering arrangement under the Resilience and Sustainability Facility (RSF) with the International Monetary Fund (IMF). These programmes are expected to provide both the support and structure required to maintain the positive momentum generated by the previous Barbados Economic Recovery and Transformation (2018-2022) programme.

The financial system remained stable in 2022, with financial institutions continuing to be well-capitalised and recording high levels of liquidity. Non-performing loans at commercial banks and deposit-taking finance and trust companies decreased, while credit to both the non-financial private sector and households grew.

50th Anniversary

In 2022, the Bank celebrated its 50th anniversary under the theme **"Living the Legacy: Continuing the Journey."** A milestone such as this is naturally a time of reflection, not only on our accomplishments, but also, and perhaps more critically, on who we are as an institution.

As an organisation established in the early post-Independence years, we have always viewed ourselves as a nation-building institution. Supporting the arts, culture, and education, while not part of our official mandate, is embedded in our identity.

Our anniversary celebrations reflected this philosophy. The long-running Annual Review Seminar featured a special keynote session that presented research on emerging central banking issues, and a special 50th anniversary edition of the Caribbean Economic Forum focused on the role central banks play in tackling inflation.

To complement these activities, we hosted a free public concert that showcased local artistes and sponsored a schools' essay competition, giving students in two age groups the opportunity to develop their research and writing skills while learning more about the Bank.

People are at the heart of our organisation. Therefore, a highlight of the golden jubilee celebrations was an awards ceremony during which we paid tribute to many of our long-serving employees, including several who have been with the Bank for more than 40 years.

Organisational Achievements

Even in the midst of our celebrations, we pressed ahead with many initiatives, both existing and new.

At the start of the year, we began to educate Barbadians about the Fair Credit Reporting Act while working on the guidelines and licencing structure that will underpin our oversight of this activity.

Work continued on expanding the automated clearing house (ACH) to allow more entities access. When completed in the first quarter of 2023, it will facilitate an increase in real-time payments, thereby enhancing business activity in the country.

In September, we issued BOSS+ bonds, a four-year Government security, to test the appetite for investment within the domestic capital market and to raise financing for social, economic, and environmental initiatives.

Finally, in December, we launched a new series of banknotes, our first printed on a polymer substrate. With this change, the notes are harder to counterfeit and are expected to have a significantly longer lifespan. We, therefore, anticipate cost savings to the Bank in the medium term.

Looking Ahead

In 2023, we will continue to contribute to restoring the country's economic health, maintaining financial stability, and assisting with the implementation of the BERT (2022-2025) programme.

On the regulatory front, we plan to fully implement the regime for licencing and supervising domestic payment providers and credit bureaus, while also ensuring that we continue to enhance and strengthen our regulations related to issues such as anti-money laundering (AML) and climate-related risks.

We expect to complete the upgrade of the ACH to modernise the payments system. With this upgrade, some non-bank financial institutions will join, leading to greater financial inclusion.

We will also embark on a digital financial literacy campaign to help Barbadians understand key issues, with our initial focus being on the themes of inflation and investing.

Internally, we will continue to build out a new IT strategy to underpin our digital transformation, which will allow us to become more efficient, serve our various publics more effectively, and contribute to modernising the country's payments systems while simultaneously strengthening our cybersecurity posture.

Thank You to Former Governor Haynes

I must end my message by, on behalf of the entire management and staff, paying tribute to former Governor Cleviston Haynes, who demitted office on January 31, 2023. Mr. Haynes was a faithful and dedicated employee of the Bank during his more than 42 years at the organisation. His knowledge of economic and regulatory matters was both broad and deep, which allowed him to lead with a steady hand during his six-year tenure as Governor. His legacy, like those of our other previous Governors, is one of which we can be proud and on which we can build as the Central Bank of Barbados **continues its journey** into the next 50 years.

BOARD OF DIRECTORS

Dr. Kevin Greenidge
Governor
Ph.D.

Trevor Campbell
M.A.

Ian Carrington
M.P.A

Professor Winston Moore
Ph.D.

Professor Justin Robinson
Ph.D.

Lynne-Marie Simmons
LL.B, LL.M, ACoI, TEP

Jared Wright
M.B.A

SENIOR MANAGEMENT

Dr. Kevin Greenidge
Governor
Ph.D.

Alwyn Jordan
Deputy Governor
M.Sc.

Pamela Arthur
Director, Human Resources
M.Sc.

Anton Belgrave
Director, Research and Economic Analysis
M.A. (Econ), FRM

Charles Briggs
Director, Facilities Management
M.B.A., C.Eng.

Ian Collymore
Director, Foreign Exchange and Export Credits
M.Sc.

Michelle Doyle
Advisor to the Governor
MPhil, CFA

Elson Gaskin
Secretary to the Board
LL.B, L.E.C, M.B.A, M.I.C.B.S, J.P.

Octavia Gibson
Director, Currency and Payments Oversight
M.Sc., J.P., PMP

Cheryl Greenidge
Director, Bank Supervision
M.B.A.

Heather Moore-Bernard
Director (Ag.), Strategic Planning and Risk Management
M.B.A

Philmore Thorne
Financial Controller
M.B.A, F.C.C.A, FCA

Steve Vaughn
Chief Internal Auditor
M.B.A, F.C.C.A, FCA, C.I.A.

Julia A. Weekes
Director, Banking and Investments
B.Sc., CFA

Ian Wood
Director, Management Information Systems
M.Sc., CISA, CISM, CRISC

OTHER SENIOR OFFICERS

Karla Austin
Deputy Director
Facilities Management
M.Sc., C.Eng., CMRP, PMP

Debbie Briggs
Deputy Director
Banking and Investments
B.Sc., F.C.C.A., FCA

Novaline Brewster
Chief, Corporate Communications
M.Sc., J.P.

Terry Burke
Chief Information Security Officer
Management Information Systems
B.Sc., CISA, CISM, CISSP, CRISC

Jennifer Clarke-Murrell
Deputy Director
Bank Supervision
M.Sc.

Sadie Dixon
Legal Counsel
LL.B., LL.M. L.E.C.

Darrin Downes
Deputy Director
Foreign Exchange and Export Credits
M.A. (Econ.), LL.B., L.E.C.

Roger Gumbs
Deputy Financial Controller (Ag.)
B.Sc., C.G.A, C.F.S.A.

Josephine Haywood
Deputy Director
Management Information Systems
B.Sc., C.G.A., CISA

Tamara Hurley
Deputy Director
Bank Supervision
M.B.A.

Alexis Lescott
Deputy Director
Research and Economic Analysis
M.Sc.

Shari Lorde Richards
Deputy Director
Bank Supervision
M.Sc.

Alvon Moore
Deputy Director (Ag.)
Currency and Payments Oversight
M.Sc.

Sheryl Peter-Kirton
Chief, Digital Programming
Digital Transformation Unit
M.Sc.

Angela Skeete
Chief, Information Services
Research and Economic Analysis
M.A.

CENTRAL BANK OF BARBADOS

50 YEARS

LIVING THE LEGACY:

CONTINUING THE JOURNEY

1 CORPORATE GOVERNANCE

The Board of Directors

The Board of Directors of the Bank ("the Board") has been entrusted, pursuant to Section 12 of the *Central Bank of Barbados Act 2020*, with responsibility for the oversight of the executive management of the Bank as exercised by the Executive Committee.

The Board has the following functions and powers:

- to approve the budget of the Bank and oversee its execution
- to approve the allocation of profits to special reserves
- to consider and approve the annual audited accounts and the financial statements of the Bank
- to define the organisation of the Bank and the general policy that regulates the powers and duties of its employees, including the framework for recruitments, promotions, and the exercise of disciplinary control
- to appoint and dismiss the Chief Internal Auditor of the Bank
- to adopt the external auditor selection and rotation policy, and appoint and dismiss the external auditor of the Bank upon the recommendation of the Audit Committee
- to oversee the system of financial reporting, risk management, and internal controls of the Bank
- to carry out any ancillary powers which relate to its oversight role
- to request to be furnished with information of the Bank that it requires to carry out its oversight functions
- to adopt the accounting policies of the Bank and procedures that are in accordance with the internationally recognised accounting standards
- to make by-laws that regulate the conduct of the business of the Bank
- to make regulations and issue orders for the purpose of giving effect to the provisions of the Act
- the power to appoint committees for the purpose of exercising any of its functions

Composition of the Board

The Board of the Bank consists of the Governor as Chairman, the Director of Finance and Economic Affairs, and five non-executive Directors. As at end-December 2022, the members of the Board of Directors apart from the Governor were The Most Hon. Ian Carrington, the Director of Finance and Economic Affairs, Mr. Trevor Campbell, Professor Winston Moore, Professor Justin Robinson, Ms. Lynne-Marie Simmons and Mr. Jared Wright.

The Bank Secretary, Elson Gaskin, is the officer chiefly responsible for Board administration. Statutorily, there are two Deputy Governors of the Bank who may attend all Board meetings but are only entitled to vote if, in the absence or disability of the Governor, one of them is chairing a Board meeting. At December 31, 2022, one post of Deputy Governor was vacant.

Meetings of the Board

The Board is statutorily mandated to meet as often as the business of the Bank requires, but not less frequently than 10 times in each year. Not more than two months must elapse between one meeting of the Board and the next meeting.

Four Directors, of whom one must be the Governor, or in case of his absence or disability, a Deputy Governor, form a quorum at any meeting, and decisions are adopted by a simple majority of the votes of the members present. In the event of an equality of votes, the Chairman may exercise a second or casting vote.

The Bank's by-laws provide for regular meetings for which no notice is necessary, and for special meetings to be convened at the written request of the Governor or any two Directors. In the latter case, however, notice is required.

The Board met in 10 regular sessions in 2022. For the majority of 2022, the meetings were held at the Bank's offices in the Courtney Blackman Grande Salle. Among the matters considered in the year under review were economic developments, the administrative budget, human resource issues, governance policies, strategic planning, and other periodic reporting.

Sub-Committees of the Board

There is one sub-committee of the Board, namely the Audit Committee. Pursuant to the aforementioned new legislation, the Audit Committee has been given statutory recognition and must be comprised of non-executive Directors.

The committee addresses matters pertaining to the internal and external audit functions of the Bank, including reviewing the draft audited financial statements of the Bank in conjunction with the external auditors prior to the said statements being approved by the Board. For the first half of the year under review, the Audit Committee comprised Mr. Joseph Ward (Chairman), Ms. Vere Brathwaite, and Professor Justin Robinson.

Mr. Ward resigned as a Board member and Audit Committee Chairman in July 2022 due to personal reasons. As a result of the appointment of the new Board of Directors in October, Professor Robinson was appointed to serve as interim Chairman of the Audit Committee and Professor Winston Moore was appointed as a member.

Apart from the Audit Committee, a member of the Board in the person of Dr. Simon Naitram sat on the Committee of Management of the Staff Pension Fund until the conclusion of his tenure at the end of June 2022. As of October 2022, Ms. Lynne-Marie Simmons sits on the said Committee.

During 2022, the Audit Committee met three times.

The Executive Committee

The Executive Committee consists of the Governor and two Deputy Governors. The Governor also chairs the Executive Committee.

The Executive Committee's responsibilities include:

- the executive management of the Bank
- the formulation, adoption, and implementation of the policies of the Bank, including the monetary policy and the financial stability policy of the Bank
- the formulation and implementation of the policies, which the Board adopts
- the management of the international reserves in accordance with the risk management and internal control framework as approved by the Board
- the rules for the reproduction of legal tender banknotes and the details of the exchange of legal tender banknotes, including the rules for the replacement of damaged legal tender banknotes
- the requirements and conditions for the management of and access to the clearing and payment system
- making regulations in relation to the functions and powers which it exercises under the Central Bank of Barbados Act
- such other powers and duties as stated within the Act which are not explicitly allocated to the Board

The Executive Committee is empowered to delegate its functions and powers where such delegation is not inconsistent with the provisions of the Bank's enabling Act.

The Executive Committee has developed and adopted its terms of reference, which were seen and noted by the Board.

Meetings of the Executive Committee

The Executive Committee is statutorily mandated to meet as often as the business of the Bank requires. During the year under review, the Executive Committee met 11 times. The deliberations of the Executive Committee focused on ensuring that the country maintains adequate levels of foreign reserves to safeguard the stability of the fixed exchange rate regime and that appropriate policies were implemented to support the stability of the financial sector.

During the year under review, the Executive Committee also considered the policies of the Bank related to administrative matters, banking licence applications, financing of Government, and the staff advances policy.

The Executive Committee submitted quarterly reports to the Board.

Legislative Reform

In 2022, the Bank piloted a number of legislative priorities.

The first of these was the *Fair Credit Reporting Act 2021*, which is an Act to provide for a credit reporting system in Barbados that is fair, for the regulation of the use of credit information collected, and for related purposes. The said Act was proclaimed on April 15, 2022.

The *National Payments System Act 2021,* which is an Act to modernise the national payment system and provide for its regulation, oversight, and for related matters, was proclaimed on April 15, 2022.

The draft *National Payment System (Clearing and Settlement) Regulations* and the draft *National Payment System (Electronic Payment Service Providers) Regulations* are very close to completion.

The *Financial Services Tribunal Bill* is also nearing completion and is expected to be passed into law early in 2023, after a final round of stakeholder consultation.

Strategic Planning

The Bank's 2022-2024 Strategic Plan focused on risk awareness and mitigation, and on consolidating and expanding our achievements in the area of internal transformation.

The committee members – Elson Gaskin (Chairman), Heather Moore-Bernard, Darrin Downes, Pamela Arthur, Michelle Doyle, Ian Wood, Novaline Brewster, Kimarie Clement, Shari Lorde Richards, Alexis Lescott, and Alvon Moore – identified the Bank's top risks, bringing its critical threats to the fore and allowing for a "helicopter" view of circumstances that could stymie its progress or achievement of its objectives. They determined mitigation actions that were specific, measurable, accurate, relevant and timely, and incorporated them into the Bank's strategic priorities.

The committee also outlined the process for establishing an enterprise risk management (ERM) framework, which will ensure there is a cohesive and holistic approach in the Bank's risk management efforts, in keeping with the "three lines of defence" principle.

As per usual, the plan embraced a rolling triennium, and there was measured progress in 2022, although resource constraints and unanticipated contingencies slowed progress in some areas.

Notable achievements during 2022 include:

- the development of a process for establishing an effective enterprise risk management framework, including the constitution of an internal risk council
- the advance towards implementation of an enterprise content management (ECM) system that is critical to the Bank's digital transformation
- the initiation of consultancies to help chart the path for the Bank's ICT strategy, including the transition to cloud computing as well as enhanced cybersecurity
- progress in the transition to real-time payments, even though the effectiveness of this initiative was stymied by the lack of readiness of some industry players
- introducing a digital system for processing exchange control applications
- the launch of a new series of polymer notes
- conducting leadership training, and launching an in-house training tool to help senior and middle managers improve their communications skills

The Bank's senior leaders strongly believe that the Bank needs to make and demonstrate further progress with the revamped strategic objectives that were set out in 2021 and 2022. For this reason, a considered decision was taken to add only one new priority for the upcoming triennium, i.e., understanding and mitigating the potential impacts of climate risk.

The Bank recognises that as a financial regulator and a major national institution, it has a pivotal role to play in ensuring that climate risk is taken seriously. It is, therefore, committed to enhancing its understanding of this area and to incorporating it into its regulatory evaluations of the domestic financial sector.

The theme of the 2023-2025 Strategic Plan is *"Transforming our Bank – Consolidating and Improving Gains."*

Risk Management

The final report for an independent External Quality Assessment (EQA) of the Bank's Internal Audit department by Deutsche Bundesbank (Germany's central bank) commenced in the fourth quarter of 2021 and was issued in 2022. An EQA is a requirement of the Institute of Internal Auditors (IIA) relative to internal audit functions and was suggested for the Bank as part of the 2018 safeguards assessment.

The EQA's final report opined that the Bank's Internal Audit department at December 2021 "generally conforms" with the IIA International Standards for the Professional Practice of Internal Auditing (Standards) and the Code of Ethics. The term "generally conforms" means that an internal audit activity has a charter, policies, and processes that are judged to be in conformance with the Standards and the Code of Ethics.

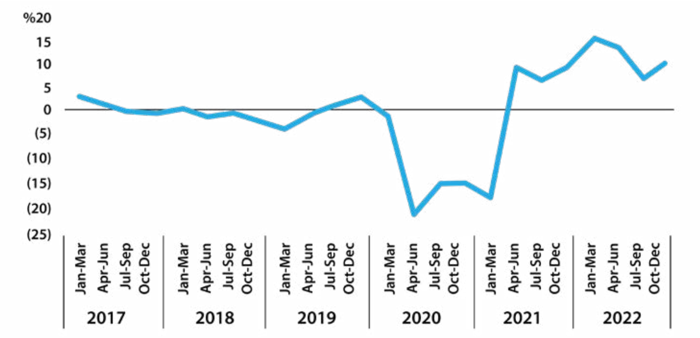
During the year, the Bank's Internal Audit department performed work on audits and tasks set out in the annual audit plan. Completed audits were reported to senior management and the Audit Committee. Tasks performed included the follow up and reporting on the progress of corrective actions related to findings arising from completed audits, and periodic reporting to senior management and the Audit Committee in compliance with the Standards and the *Central Bank of Barbados Act, 2020-30.*

The external audit firm contracted to provide information technology (IT) audit services for the period 2022-2024 commenced audits during the year and issued reports for completed audits.

2 MACROECONOMIC DEVELOPMENTS

Macroeconomic conditions remained challenging in 2022, as the international economic environment tightened in the aftermath of spiralling global inflation. However, Barbados' economy registered a robust recovery from the COVID-19-induced decline over the 2020-2021 period. Preliminary estimates are that economic output rebounded by 10.0 percent, generating a U-shaped recovery path.

Figure 1: Quarterly Real Economic Growth



The rejuvenated performance was led by the tourism sector following the relaxation of COVID-19 restrictions on travel, recreation, and business operations, which enabled a full reopening of the economy.

Long-stay visitors for 2022 more than trebled over the prior year, representing a recovery to 62 percent of 2019 levels. The United Kingdom continued to be the major source market, reaching 76 percent of the 2019 outturn. The United States, Canada, and the Caribbean markets also showed signs of recovery, but arrivals from the Caribbean region remained below 50 percent of the 2019 performance.

With the strong upturn, the labour market was marked by fewer unemployment claims, increased participation rates, and a reduction in unemployment, which fell to 7.1 percent by the end of the third quarter.

The impact of the Russia-Ukraine conflict on food costs, higher international energy prices, and ongoing supply chain disruptions raised domestic inflation as rising import prices filtered into the economy. Foreign inflationary pressures eased in the second half of the year, and with Government's policy intervention on energy prices and its compact with the private sector, which temporarily limited mark-ups on basic food items, the pace of price increases slowed. At November, prices were reported to be 8.5 percent higher than for the corresponding period 12 months earlier.

External Sector

The stock of gross international reserves totalled $2,795 million at the end of 2022, equivalent to 29.0 weeks of import cover. Improved earnings from the tourism sector cushioned the impact of rising import prices, reducing net purchases of foreign exchange by commercial banks from the Bank and containing the actual loss in reserves for the year to $267 million. However, the policy-induced increase in global interest rates led to additional losses in the valuation of the Bank's holdings of its foreign securities ($170 million).

Imports expanded by $948 million during 2022, reflecting the rise in international food and fuel prices and the increase in economic activity. Higher re-exports of fuels, attributable to the revival in air traffic, partially offset the impact of the rising imports. Simultaneously, there were gains in domestic exports, which grew by approximately $58 million.

The financial account contracted by $225 million, mainly a reflection of lower disbursements to the public sector from international financial institutions and slightly higher outflows related to debt amortisation payments. The external debt service ratio increased, but remains below the pre-debt restructuring level of 2017.

Public Finances

During the first three quarters of the fiscal year, Government's finances showed signs of recovery. Revenue grew, benefiting from the broad-based increase in prices for goods and services, the overall pick-up in economic activity, and the impact of temporary taxes on individuals and select corporates. Non-interest expenditure stabilised relative to the preceding year, leading to a primary surplus of $434 million. There was also a fiscal surplus despite increased interest payments due to the step-up in domestic interest rates.

Figure 2: Gross International Reserves (GIR) and Import Cover

The stronger fiscal performance led to a reduced borrowing requirement. This enabled less reliance on new external funding, but domestic financing increased as Government continued to test the appetite of domestic investors for public sector debt.

The domestic portion of the debt-for-nature swap[2] was fully subscribed, but uncertainty in the market due in part to the 2018 domestic debt restructuring tempered demand by the private sector for other new bonds. The Bank completed its phased acquisition of Government securities in the form of treasury notes equivalent to approximately 2.2 percent of 2021 GDP.

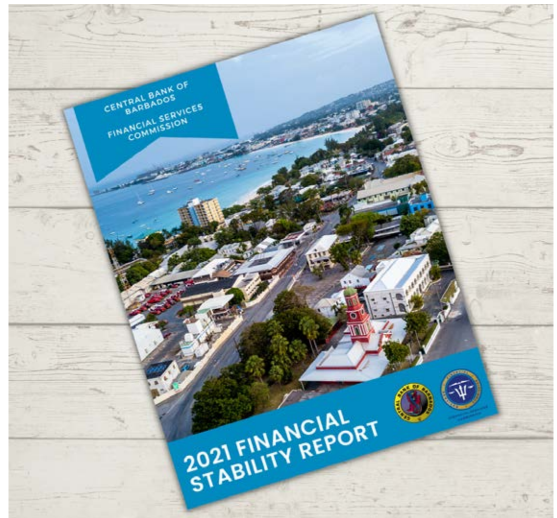
Debt service payments reached $862 million, compared to $549 million during the corresponding period one year earlier. The higher payments also partly reflected the increase in interest expenditure and the commencement of the repayment of rescheduled domestic bonds.

At the end of the year, the debt stock was approximately $14.1 billion or 123.8 percent of GDP, compared to $13.4 billion or 137.9 percent of GDP at end-2021.

Financial Sector

The financial sector maintained a trend of low interest rates, high excess liquidity, and high capital buffers during 2022. Capital buffers at commercial banks and finance and trust companies remained well above the minimum requirement, climbing steadily to 18 percent and 20.5 percent, respectively, at yearend.

Residual loan moratoria programmes, first introduced in 2020 to limit the potential adverse impact of COVID-19, ended in October. The combined delinquency rate of banks and finance and trust companies fell to 6.9 percent from a peak of 9.2 percent during the post-COVID period. The personal sector, which accounts for 59 percent of lending, accounted for 70 percent of these non-performing loans (NPLs), but there were also NPLs in the real estate and hotels and restaurants sectors.



The 2021 Financial Stability Report, a joint publication of the Central Bank of Barbados and the Financial Services Commission, revealed that stress tests indicate that Barbados' financial sector has the capacity to absorb "large, but plausible, shocks."

Credit to the non-financial private sector (NFPS) grew by 3 percent, the strongest performance since 2017. In line with the economic rebound, there was increased commercial bank lending for working capital to the distribution sector, and for property purchases to the tourism and real estate sectors.

Loans to households also increased, with new credit from the banking sector up 10 percent over 2021. Higher repayments eroded this growth, however, resulting in lower outstanding loan balances for households at these institutions.

Similarly, buoyed by the improvement in economic and labour market conditions, new mortgages issued by banks for private dwellings experienced modest growth. However, repayments on outstanding balances led to a small contraction in banks' mortgage portfolios. Conversely, outstanding mortgage lending by credit unions grew by around 6 percent for the period, as more individuals continue to look to cooperatives for their borrowing needs.

[2] The debt-for-nature-swap was undertaken in dual currencies, allowing relatively more expensive debt to be exchanged for a lower-cost option, yielding savings on interest outlays. The transaction enabled Government to prepay $146.5 million of its external commercial debt and repurchase $145.8 million of its series E domestic amortising bonds. The savings are estimated at almost $50 million over a 15-year period and will be directed towards the Barbados Environmental Sustainability Fund Inc. to assist with the conservation of Barbados' marine environment. This arrangement marked Barbados' first debt-related transaction in the international capital markets since the 2019 debt restructuring and was supported by guarantees provided by the InterAmerican Development Bank and the Nature Conservancy.

Due in part to the recovery of outbound travel, credit card activity trended upward during the year, with total new credit extended being almost 50 percent higher than 2021. However, timely repayments tempered these increases to result in only a modest expansion in credit card balances.

Total deposits increased by 5.5 percent, reflecting gains in both domestic and foreign currency deposits. Individuals, non-financial private sector firms, Government, and financial corporations were the main sources of the build-up in domestic deposits, while foreign currency balances, which generally account for less than 9 percent of the total deposits, grew because of increased real estate and tourism activity.

Table 1: Leading Economic Indicators

	2017	2018	2019	2020	2021(p)	2022(e)
Nominal GDP ($ Million)[1]	9,963.2	10,194.6	10,648.5	9,343.6	9,687.6	11,371.6
Real Growth (%)	0.6	(1.0)	(0.2)	(13.5)	(0.3)	10.0
Inflation (M.A., %)[2]	4.5	3.7	4.2	3.5	2.7	9.1
Unemployment (End-of-period, %)[3*]	8.2	11.6	8.9	13.6	10.9	7.1
Gross International Reserves ($ Million)	411.3	999.6	1,481.0	2,660.7	3,058.8	2,771.0
Gross International Reserves Cover, Weeks	5.3	12.8	18.6	40.7	40.6	29.2
BoP Current Account (% of GDP)	(3.8)	(4.4)	(2.8)	(5.9)	(10.9)	(10.8)
Total Imports of Goods (% of GDP)	30.5	29.4	28.2	30.4	32.8	35.9
Travel Credits (% of GDP)	21.7	21.9	23.5	12.4	12.9	16.4
Financial Account ($ Millions)	43.6	864.4	776.4	1,621.6	1,207.6	983.0
Gross Public Sector Debt[4] (% of GDP)	149.0	126.0	117.4	137.1	137.9	123.6
Central Government External Debt (% of GDP)	28.7	31.4	29.0	42.5	46.3	41.8
External Debt Service to Curr. Acct. Cred.	8.3	4.9	3.6	9.0	7.0	8.1
Treasury-Bill Rate	3.2	0.5	0.5	0.5	0.5	0.5
Implicit Deposit Rate	0.1	0.1	0.1	0.0	0.0	0.0
Implicit Loan Rate	7.4	7.1	6.2	5.8	5.4	5.1
Excess Domestic Cash Ratio	14.2	16.1	18.5	22.4	26.8	27.5
Private Sector Credit Growth (%)[5]	3.2	0.3	0.9	(1.2)	(0.7)	2.6
Private Sector Credit (% of GDP)[5]	81.8	80.2	77.8	86.9	83.2	73.5
Domestic Currency Deposits (% of GDP)	112.7	111.5	109.6	131.0	131.7	121.5
Fiscal Year	**2018/19**	**2019/20**	**2020/21**	**2021/22**	**Apr-Dec 2021**	**Apr-Dec 2022**
Fiscal Balance (% of GDP)	(0.3)	3.6	(4.8)	(4.8)	(2.1)	0.4
Primary Balance (% of GDP)	3.5	6.0	(1.0)	(0.9)	0.5	3.6
Interest (% of GDP)	3.8	2.3	3.8	3.9	2.6	3.2
Fiscal Current Account (% of GDP)	1.6	5.4	(1.7)	(0.6)	0.1	2.2
Revenue (% of GDP)	29.3	28.0	28.7	27.8	19.6	20.0
Expenditure (% of GDP)	29.6	24.4	33.5	32.6	21.7	19.6
Non-interest Expenditure (% of GDP)	25.8	22.1	29.7	28.7	19.1	16.4
Capital Expenditure (% of GDP)	1.9	1.8	3.1	4.2	2.2	1.8
Gov't Interest Payments (% of Revenue)	12.9	8.4	13.4	14.1	13.3	15.9

(p) - Provisional
(e) - Estimate
1 - Central Bank of Barbados and Barbados Statistical Service
2 - Twelve Month Moving Average
3 - Four Quarter Moving Average
4 - Gross Public Sector Debt = Gross Central Government Debt + Other Public Sector Debt
5 - Based on consolidated data for deposit-taking Institutions
(Commercial Banks, Finance & Trust Companies and Credit Unions)
* - Data at end of period, September 2022

3 CENTRAL BANK OPERATIONS

Financial Regulation

The number of licensed financial institutions under supervision by the Bank decreased by one to 34. One Part III licensee and one foreign currency-earning bank completed the winding-up process during the year, while one money or value transmission service provider was licensed.

Table 2: Licensed Financial Institutions

Type of Institution	2018	2019	2020	2021	2022
Domestic					
Commercial Banks	*5*	*5*	*5*	*6*	*6*
Financial Holding Companies	*1*	*1*	*1*	*4*	*4*
Part III Companies	*12*	*9*	*8*	*7*	*6*
Money or Value Transmission Service Providers	*0*	*0*	*3*	*3*	*4*
Total Domestic	**18**	**15**	**17**	**20**	**20**
Foreign Currency Earning Banks	**24**	**22**	**21**	**15**	**14**
Total Licensed Institutions	**42**	**37**	**38**	**35**	**34**

Source: Central Bank of Barbados

Supervisory Framework

The Bank maintained the remote working environment for the inspection process during the year. The examination programme consisted of ongoing desktop reviews and inspections, with three inspections being completed. The focuses of these inspections were anti-money laundering/combatting financing of terrorism (AML/CFT) risk, credit risk, and corporate governance. In addition, a draft Technology and Cyber Risk Management Guideline (TCRM) was shared with the industry for comment in November, and it is expected that the final TCRM will be issued in early 2023.

In addressing issues related to market conduct, which has been an area of concern for a long time, the Bank issued a directive that, effective December 1, 2022, commercial banks should discontinue the practice of (1) denying non-customers the right to encash checks within their branch network and (2) charging fees to customers with large deposit balances.

De-risking, or the loss of correspondent banking relationships in the industry, remained a key area of focus, as discussions on the issue continued at both the regional and international levels. While the rate of terminations has slowed, the Bank has nonetheless continued to monitor developments.

During the year, the Bank assumed chairmanship of the Caribbean Group of Banking Supervisors (CGBS) for the period 2022-2023. Activities as chair included the virtual hosting of the 39th Annual CGBS Conference under the theme *The Road to Recovery and Growth in the Wake of the Pandemic: What This Means for Regulation and Supervision*. Among the areas for discussion were the effectiveness of financial regulation during the pandemic, developments in payment systems oversight, and regulation in the age of digitisation. The Bank also began the process of developing the CGBS strategic plan for 2023-2026.

Additionally, in conjunction with the International Business Unit of the Ministry of International Business and Industry, the Bank participated in the supplementary review of Barbados' implementation of the standard of transparency and exchange of information on request conducted by the Global Forum on Transparency and Exchange of Information for Tax Purposes.

Anti-Money Laundering/Combatting the Financing of Terrorism (AML/CFT)

As part of its ongoing supervision of licensees and their measures to counter money laundering (ML), terrorist financing (FT), and proliferation financing (PF), the Bank continued its risk-based supervision of licensees. This included the continuous assessment of qualitative and quantitative information from licensed financial institutions to assist in updating the inherent and residual ML/FT risk of licensees.

Efforts to remove Barbados from the Financial Action Task Force's (FATF) list of jurisdictions under increased monitoring continued as the Bank engaged other national AML/CFT stakeholders to ensure a collaborative approach to addressing the remaining actions to be taken. As a member of the National Supervisors Committee, the Bank collaborated with other regulatory agencies on a number of issues including changes to the FATF methodology on beneficial ownership. In addition, the Bank, together with the Financial Intelligence Unit (FIU), continued to ensure that licensees understood their reporting obligations as it relates to the identification of suspicious activities and targeted financial sanctions. Progress reports on Barbados' action plan continued to be coordinated by the Bank, which also leads all discussions with the FATF.

Emerging Regulatory Developments

Interest in crypto assets remains, and research in this area is ongoing in an effort to develop the best approach to regulation.

Following the proclamation of the *National Payment System Act, 2021* in April 2022, work continued on finalising the accompanying regulations for electronic payment service providers, as well as for clearing and settlement.

The Fair Credit Reporting Act, 2021 (FCRA) was proclaimed in April 2022. During the year, the Bank developed a licencing guideline and supervisory framework to facilitate oversight of prospective licensees under this Act. These documents were submitted for comment in November and are expected to be finalised and issued in 2023. In addition, regulations to prescribe the application and licence fees were drafted and are expected to come into force in 2023.

In the area of climate-related risk, the Bank recognised the need to develop a framework for the mitigation of its effects on the financial sector. It was noted that financial institutions need to consider the unique characteristics of such risks, including, but not limited to, potential transmission channels, the complexity of the impact on the economy and financial sector, uncertainty related to climate change, and potential interactions between physical and transition risks. Over the last year, the Bank has focused on building capacity by exposing officers to various seminars on this topic. There was also collaboration with regional and international counterparts such as the Caribbean Regional Technical Assistance Centre (CARTAC) and CGBS, amongst others, to facilitate technical assistance through networking and working group collaboration[3].

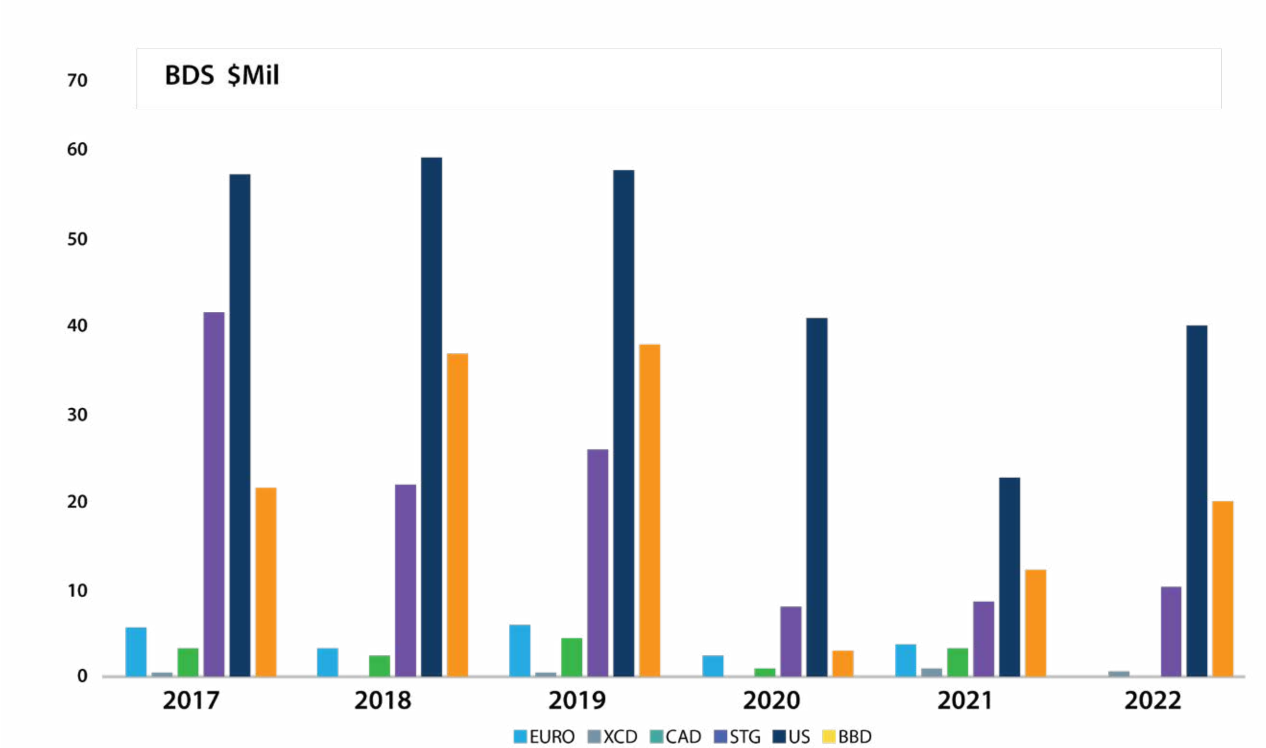
Foreign Exchange Operations

The Bank's gross foreign exchange position weakened during the year as increased export earnings from trade-related transactions were outweighed by the combined effect of lower disbursements to the Government from multilateral institutions and higher public sector outflows primarily for external debt payments.

During 2022, the Bank executed 15 repatriations of foreign and local currency totalling $71 million, compared to $52 million in the prior year, which contributed to the Bank's external holdings of foreign reserves. United States dollars repatriated accounted for over 50 percent ($40 million) of the total currency repatriated, while the sale of Barbados dollars abroad represented around one-quarter ($19 million). Trading of Eastern Caribbean currency yielded only $600,000, and there were no trades of Canadian dollars or Euros.

[3] In September 2022, the Bank formally applied to join the Network of Central Banks and Supervisors for Greening the Financial System (NGFS).

Figure 3: Repatriation of Currency



Forex Online

On January 3, 2022, the Bank officially launched its web-based application Forex Online. At present, the platform can accept and approve Foreign Currency (Not for Imports) applications, the most widely-used type of foreign currency application. By the end of the year, approximately 12,800 users were registered to use Forex Online, and there were on average 140 daily transactions.

The Bank is in the process of upgrading the platform to accept two additional application forms, namely the Periodic Payment (PP) Form and the Form FC (1) (For Imports Only). On completion, this will mark the end of their use in the current exchange control system and increase the number of foreign exchange applications that can be completed by financial institutions and the various publics under this platform.

Although the public is encouraged to utilise the online portal to facilitate their foreign currency transactions, the Bank also recognises that in some instances, persons may still wish to visit the Bank's offices directly. In this regard, access by the public to its exchange control window has been re-opened to facilitate these requests.

Money, Credit, and Capital Markets

Government Bond Market

The Bank continued to focus on ensuring the payment of debt service on Government of Barbados restructured bonds and facilitating transfers and secondary market transactions.

In September 2022, bonds held by the National Insurance Scheme (NIS) totalling $145.9 million were pre-paid and exchanged for new bonds in the amount of $117.8 million. Other new issuances of $15.2 million represented final settlement of outstanding payments owed by Government to a financial institution and several individuals.

BOSS+ Bonds

In September, Government introduced the Barbados Optional Savings Bonds Plus (BOSS+). This programme was designed to allow the public to assist in the environmental, social, and economic development of Barbados through investment in a five-year bond with an interest rate of 4.5 percent per annum. By December 2022, BOSS+ bonds issued totalled $32.6 million and were being held by institutional investors and individuals.

Get to Know BOSS+

In September 2022, Government, through the Central Bank of Barbados, introduced BOSS+ bonds, a new Government security.

BOSS+ is a five-year bond that offers 4.5 percent interest per annum, with interest being paid semi-annually. Interest on BOSS+ bonds is not subject to withholding tax, and investors do not have to pay stamp duty. At the end of the maturity period, investors will be returned their principal.

While the bonds mature five years after they are issued, BOSS+ also has an early redemption feature that allows investors to redeem their bonds, without penalty, after 24 months. They also have the option of trading their bonds on the secondary bond market at any time during their lifespan.

Any member of the public may invest in BOSS+ either separately or jointly with someone else, and parents may also buy them in trust for minor children. Businesses, churches, and other organisations may also invest in BOSS+.

The minimum investment in BOSS+ is $500. Thereafter, bonds may be purchased in increments of $100.

As with savings bonds, which under the *Debt Holder (Approval of Debt Restructuring) Act, 2018* were not restructured, BOSS+ bonds are protected from restructuring.

Treasury Notes

The $125 million Government of Barbados 4.25 percent treasury note with a five-year maturity that opened in December 2021 remained open for subscription during the year, and a second treasury note issue for the same amount, interest rate, and maturity period was placed on the market at the start of the second quarter. By December 31, 2022, both issues were fully allotted, with the Bank holding $212.4 million in aggregate across both treasury notes and the remainder held by institutional investors and individuals.

Savings Bonds Issues

No new savings bonds issues were offered to the public in 2022. Certificates presented during the year for redemption or early surrenders totalled $20.6 million, while savings bonds certificates of previously matured issues not yet presented for redemption totalled $34.3 million at December 31, 2022.

Enhanced Credit Guarantee Fund

The funds earmarked for the Enhanced Access to Credit for Productivity Project were fully disbursed in 2021. As a result, no new guarantees were issued under the programme during the year. At yearend, there were 57 guarantees outstanding, with a maximum liability of $32.0 million.

Enhanced Credit Guarantee Fund (COVID-19 Support)

The Global Credit Program for Safeguarding the Productive Sectors and Employment continued to record high demand during the year under review. Seven participating financial institutions accessed the programme seeking coverage for loans provided to 42 small and medium-sized businesses. At yearend, 43 guarantees totalling $24.3 million were approved. In addition, foreign currency disbursements totalling $19.2 million were received.

Divestment of Schemes

The Bank is expected to divest the operations of the Industrial Credit Fund, the Export Credit Insurance and Export Finance Guarantee Scheme, and the Credit Guarantee Scheme owing to the mandate in the *Central Bank of Barbados Act 2020-30* for the Bank to cease quasi-fiscal activities.

During the year, there were no guarantees outstanding under the Credit Guarantee Scheme, as the guarantees issued under this programme were either claimed or eligible businesses received guarantee support under the Enhanced Credit Guarantee Fund (COVID-19 Support). In addition, there were no outstanding liabilities for insurance business under the Export Credit Insurance or the Export Finance Guarantee Scheme.

Industrial Credit Fund (ICF)

Due to the receipt of the regular loan repayments, the loan portfolio of the Industrial Credit Fund declined to $0.3 million as at December 31, 2022.

Housing Credit Fund (HCF)

During 2022, disbursements of $18.8 million were approved, resulting in total loans outstanding of $29.8 million. There were no repayments for the corresponding period.

Table 3: Indicators of ICF Operations

Indicators (in BDS $Millions)	2018	2019	2020	2021	2022
Principal Payments	1.1	0.7	0.8	0.7	0.8
Loans Outstanding	3.3	2.6	1.8	1.1	0.3

Source: Central Bank of Barbados

Table 4: Indicators of HCF Operations

Indicators (in BDS $Millions)	2018	2019	2020	2021	2022
Principal Payments	6.6	17.1	3.4	40.2	-
Loans Outstanding	60.7	43.6	40.2	11.0	29.8

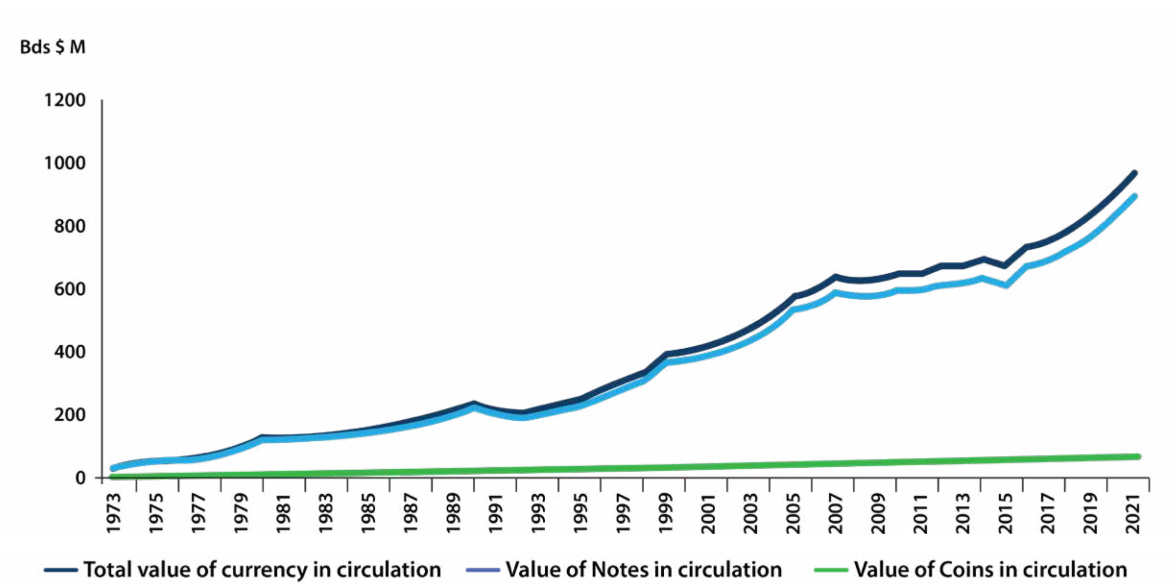
Source: Central Bank of Barbados

Currency and Payment Systems

Currency in Circulation

In 2022, currency in circulation[4] grew by $84 million to approximately $1.05 billion. Banknotes in circulation rose by $81.9 million to $971.6 million, while coins in circulation increased by $2.0 million to $72 million. The increase in value notwithstanding, cash in circulation as a percentage of GDP declined to 9.2 percent, as compared to 9.9 percent in 2021.

Figure 4: Value of Currency in Circulation



Source: Central Bank of Barbados

[4] Currency in circulation is dictated by two factors: currency issued to the public and currency redeemed. The amount of currency issued is determined by the demands of the public. Currency deposited is a function of the commercial banks' reserve requirements, insurance limits, and forecast requirements for cash. The Central Bank also instructs that notes unfit for circulation be deposited and destroyed. Circulation increases when issues exceed deposits and decreases when deposits are more than issues at any point in time. Currency in circulation as at December 31, 2022 equals currency in circulation as at December 31, 2021 plus issues to the public during 2022 minus deposits to the Central Bank during 2022.

Transition to Polymer Banknotes

At the end of the year, the Bank began to issue a new series of banknotes with both a new design and a new base material.

The introduction of the new notes represents the culmination of an almost three-year project that included analysis of the different substrate options and security features. Ultimately, the Bank opted to print the new bills on polymer, a plastic substrate, which is more durable. The Bank anticipates that the new notes will last two and a half times longer than the cotton-based "paper" banknotes, thereby resulting in a cost-savings for the organisation in the medium term.

Additional benefits of polymer include the capacity to add tactile marks to assist the visually impaired that will last the lifespan of the notes and the ability to incorporate enhanced security features that make the currency more challenging to counterfeit. The Bank views the latter as a measure to maintain the already low incidence of counterfeiting in Barbados – only 19 counterfeit notes were identified and removed from circulation in the first nine months of 2022.

The rollout of the new series was supported by a robust marketing campaign as well as public education efforts that included workshops for almost 30 organisations.

Adopting a Marketing Mindset to Promote Barbados' New Polymer Banknotes

In March, the Bank announced that it would introduce a new series of banknotes during the year. The announcement garnered local, regional, and international attention, with British-based Central Banking Publications covering it on its website.

Immediately following the announcement, the Bank began to educate the public about the benefits of polymer and what they could expect from banknotes made with this material through a series of blog articles and social media posts.

Representatives from the Bank and De La Rue, which manufactures Barbados' banknotes, pose for media photos after the official launch of the new series.

The notes were unveiled during an official launch event at which attendees and the online audience learned more about the rationale for the change. They also heard from both a representative of the Eastern Caribbean Central Bank, which made the transition to polymer in 2019, and the President of the Barbados Association for the Blind and Deaf, with whom the Bank collaborated to determine the appropriate features to assist the blind and visually impaired.

The highlight of the event was the unveiling of the designs, which began with a travel through time to recall the different iterations of Central Bank of Barbados-issued banknotes before revealing the new, modern design. This was quickly followed by a second video that outlined some of the design and security features of the new notes.

The event was livestreamed on the Bank's social media channels, and it, and the unveiling video, which was posted separately, are among the Bank's most popular videos during the year.

Later in the year, the Bank conducted a survey to assess public awareness and sentiment around the upcoming new banknotes series and to find out what questions the public had about it. Based on the findings of the survey, it produced two blog articles as well as text and video FAQs to ensure that Barbadians had all the information they needed before the new notes went into circulation. Given the change in substrate, it also shared a video showing how polymer banknotes are made.


A student reacts after seeing the new polymer notes during a road show to promote the new series.

In the lead-up to the rollout, the Bank participated in a number of radio interviews and appeared on CBC TV8's Mornin' Barbados to discuss the new series. The day after the notes went into circulation, a team from the Bank took part in VOB 92.9's Road Runner programme where they distributed banknote-branded giveaways and gave Barbadians their first look at the new polymer banknotes.

Feedback on the new notes has been very positive, with many people complimenting the notes' designs, and in particular the feature where the map of Barbados is formed when all the denominations are placed together.

The Glow-in-the-Dark coin that the Bank issued in late 2020 was named "Best New Commemorative or Test Circulating Coin" at the 2022 Excellence in Currency Awards.

Royalty Programme

Twenty-three additional royalty[5] arrangements were signed during 2022, two more than in the prior period. Provisional data shows that royalties received for the minting of coins was approximately $496,000 in 2022, an increase of $159,000 over the amount earned in 2021.

In February, the Blue Marble, one of the coins produced under the Bank's royalty arrangement with the World Coin Association – MDM Group was named "Most Innovative" at the 2022 Coin of the Year awards.

Later in the year, the painted glow-in-the-dark one-dollar circulation coin the Bank issued as a tribute to Barbados' essential workers during the COVID-19 pandemic was named "Best New Commemorative or Test Circulating Coin" by the International Association of Currency Affairs at its 2022 Excellence in Currency Awards.

Payment System Activity

Activity through Barbados' Automated Clearing House (ACH) system picked up during 2022, with the total value of payments processed being 24.6 percent higher than for the previous year. The volume and value of electronic funds transfers through the ACH remained on an upward trajectory, as firms and Government entities continue to utilise more electronic payment methods. During the year, the total value of electronic funds transfers through the system grew by 31 percent to $12.5 billion. While the number of cheques written and cashed during 2022 was on par with 2021, the total value of these cheques was 18 percent higher at $12.1 billion, as the average size of cheque payments increased with economic activity.

The value of transactions processed through the Real Time Gross Settlement (RTGS) system grew to $16.1 billion during 2022. This uptick in RTGS activity was linked to increased economic output and the purchase of government securities such as BOSS+ bonds.

Figure 5: Electronic Funds Transfer

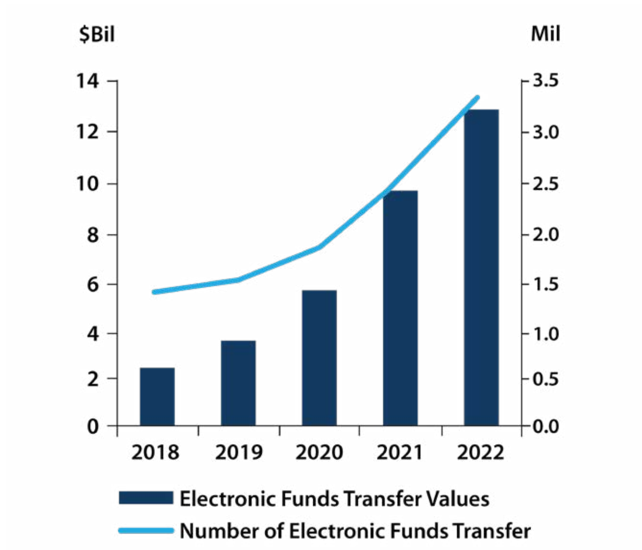
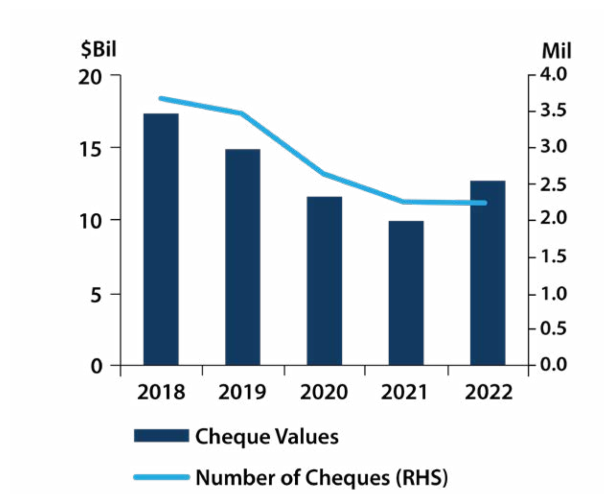
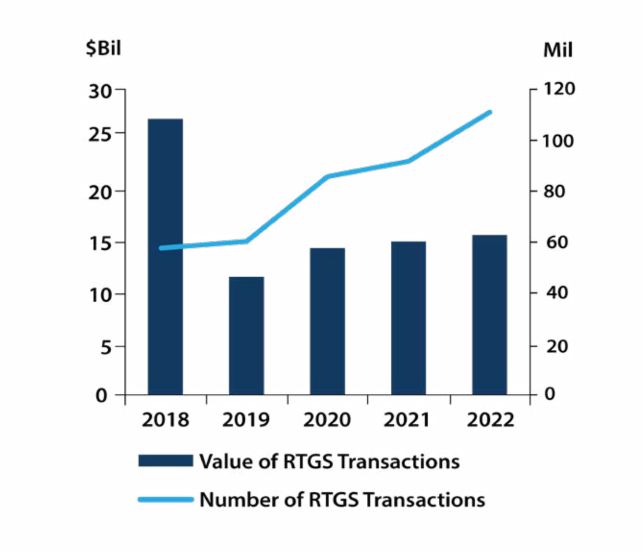


Figure 6: Cheque Transactions



[5] Royalty arrangements are contracts between an issuing authority and collector marketing organisations or mints for the production and distribution of legal tender commemorative coins abroad. Royalty programmes present an opportunity for the Central Bank as an issuing partner to receive a guaranteed royalty payment for every coin struck or sold. There is no risk for the issuing authority in terms of production, cost, marketing, sale, distribution or storage of the coins produced.

Figure 7: RTGS Transactions



Digital Transformation

The Bank remained committed to its digital transformation thrust in 2022, drafting a data governance framework[6] based on three essential governance policies: the data governance policy, the data classification policy, and the records retention and archival policy.

During the year, the Bank made significant progress with key initiatives, among them developing the production environment for the enterprise content management (ECM) system, increasing staff's use of the organisation's digital signature platform, and advancing the discovery and classification of data across the Bank's business areas. The data discovery and classification exercise helped to identify and map related business processes and information flows, laying the foundation for more effective business process redesign in 2023. The Bank also continued and increased its sensitisation efforts to prepare staff for the change.

Early in the year, the Bank conducted a digital maturity assessment (DMA). The DMA confirmed the Bank's strategic vision upon which to build its digital capabilities and emphasised that both the culture and leadership of the Bank were key success factors for digital transformation. Based on the findings, it was able to create "Digital Strategy on a Page," a document that provides stakeholders an at-a-glance look at the Bank's vision, strategy, and principles as it relates to digital transformation.

In addition, it coordinated organisational change management sessions as a precursor to establishing an effective organisational change management plan. Such a plan is necessary given the complexities of shifting any organisation's culture to achieve some level of digital transformation.

To build its capacity, the team responsible for leading the Bank's digital transformation efforts completed training in several areas, including ECM strategy, data fluency, business process automation, data discovery and classification, and organisational change management.

During the year, the Bank continued to digitise existing documents for archival purposes. It also replicated some of its in-house collections on new platforms, thereby enabling staff and the public to access a much wider collection of materials than is currently available on the website.

Information Technology

The Bank has begun to transition to more cloud-based systems that will provide a more flexible and dependable IT infrastructure. This move is primarily intended to simplify business operations and deliver better solutions for business continuity and disaster recovery. It should also improve user experience.

This change, while both timely and necessary, is a significant departure from the Bank's previous operations, and as such will require new policies and an enhanced focus on cybersecurity. To this end, a number of cybersecurity consultancies were conducted during the year to determine and monitor the Bank's cyber risk exposure and to implement risk and threat mitigation controls.

Staff members at all levels were also required to complete mandatory cybersecurity training several times during the year.

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[6] This was achieved during the first year by the newly established Data Governance Council supported by two working groups (Data Classification and the Records Retention and Archival Policy)

Plant Maintenance

During the year, in addition to routine maintenance and upkeep, the Bank upgraded its building management and security systems to ensure the staff's continued comfort and safety. Major refurbishment also commenced on the executive floor.

The Bank continued its efforts to green its facilities. As a consequence, it enhanced the size of the photovoltaic array and production capacity of its system by installing additional solar panels and upgrading the inverters, which will also reduce energy costs once the relevant regulatory and technical approvals have been provided.

Frank Collymore Hall

A performance at the Frank Collymore Hall during 2022.

The upgrade to a state-of-the-art digital sound system for the Frank Collymore Hall that began in 2021 was completed during the year and the new system commissioned in December 2022. This new capacity, coupled with the relative return to normalcy following COVID-necessitated restrictions, saw the facility, one of Barbados' premier performing arts centres, in high demand for both recording sessions and live performances.

People and Programmes

There was a hybrid work arrangement in place for 2022, with staff members performing their duties in the office on some days, and remotely on others. Communicating effectively was, therefore, of the utmost importance to ensure everyone was aware of what was taking place in and around the organisation. Staff members were kept abreast of the Fair Credit Reporting Act, the Bank's communications strategy, developments related to Forex Online, COVID-19, cybersecurity, and plans for the Bank's 50th anniversary, all of which were shared via the organisation's internal platforms.

Training

During the year, the Bank partnered with the Caribbean Centre for Development Administration (CARICAD) to provide high-level leadership training for its senior supervisors. The Emerging Leaders Development Programme introduced the group to new concepts, approaches, tools, and strategies for advanced leadership effectiveness.

The Bank also designed a masterclass to help leaders and supervisors improve their communication skills. It comprised seven modules that explained why internal communications matters and also provided the tricks of the internal communications trade.

Designed to allow viewers to follow at their own pace, complete the quizzes, and enjoy the scenarios and dramatisations, the masterclass and its accompanying blog series were first shared with the management team before being rolled out to the Bank's senior supervisors during a special session.

As part of the session, there was discussion about the Bank's strategic plan and the role that supervisors can play in communicating it to the wider staff. The meeting also included a discussion on what could happen should internal communication prove to be ineffective.

Employee Engagement

The Bank held two staff meetings during the year. The first discussed the 2022-2024 Strategic Plan and several other matters, including risk mitigation and a risk management framework, performance management initiatives, digital transformation, and the institution of an enterprise content management (ECM) system.

The second meeting centred on ongoing efforts to improve employee engagement. Governor Haynes and the Director of Human Resources, Pamela Arthur, joined the Chief, Corporate Communications at the Bank for a face-to-face chat while staff participated virtually.

Employee Welfare

During the year, the Bank arranged a seminar for staff titled "Financial Wellness: Know Your Vital Signs" and organised two cooking demonstrations: "Breakfast: The Most Important Meal of the Day" and "Let's Take Our Taste Buds to the Mediterranean: A Culture of Heart-Healthy Eating."

It also continued to make providing a safe and secure environment for the staff a priority. To this end, it continued to focus on enhancing the capacity of its security team by exposing its officers to training that sought to develop them in a holistic way. This included sessions on conflict management and understanding group dynamics as well as tactical weapons training and first-aid. The officers also completed training in fire safety, which was conducted by the Barbados Fire Service at the Fire Academy, Arch Hall, St. Thomas.

Staff Recognition

In May, as part of the 50th anniversary celebrations, the Bank re-introduced its long service awards in recognition of staff reaching milestone years of service.

Throughout the year, it also held mini staff appreciation events to coincide with local and international observances: "Love is in the Air" for Valentine's Day, "Barbados Ah Come From", for Independence, and "Celebrating the 12 Days of Christmas."

The Bank continued to embrace its retirees, who remain a part of the family long after their years of service have come to an end. At the close of the year, it organised its first in-person retiree reunion since 2017. The fittingly titled "It's Been a While" event was well-received.

Summer Internship Programme

Following significantly scaled down summer internship programmes in 2020 and 2021 due to the COVID-19 pandemic, the Bank welcomed a full complement of 20 interns in June. The students, who were pursuing studies in a range of disciplines, including economics, accounting, media and journalism, human resources, and software engineering, were assigned to different departments across the organisation. The Bank chronicled the progress of four of the students in its "Learning on the Job" series.

Staff Complement

Seventeen persons joined the Bank during the year, including seven temporary officers who received their permanent appointments. During the corresponding period, there were nine retirements, nine resignations, and regrettably, two deaths. Four temporary staff members also moved on to other institutions. At yearend, the staff complement stood at 254, of which 215 were permanent employees.

Retirees	Years of Service
Lewis Babb	33
Joel Best	30
Laurie Blackman	14
William Cooke	21
Ivan Jordan	35
Juanita Simmons	42
Marlon White	26

Promotions

During the year, Philmore Thorne was appointed to the post of Financial Controller after serving in an acting capacity for a number of years. In addition, Alexis Lescott and Vincent Grosvenor were promoted to Deputy Director, Research and Economic Analysis and Deputy Director, Management Information Systems, respectively. There were also a number of other promotions during the period:

Name	New Position	Department
Gayle Alleyne	Senior Analyst/Programmer	Management Information Systems
Patrick Barrow	Senior Security Officer	Governor's Office
Andre Burgess	Senior Exchange Control Officer I	Foreign Exchange and Export Credits
Dave Gittens	Senior Security Officer	Governor's Office
Bradley Harris	Senior Exchange Control Officer I	Foreign Exchange and Export Credits
Sandy Moore	Senior Banking Officer	Banking and Investments
Rosita Pinder	Administrative Assistant	Currency and Payments Oversight
Alicia Wardrope-Haynes	Senior Security Officer	Governor's Office

Education and Certification

Several staff members attained qualifications during the year, including Leslie Byer, B.Sc. in Management Studies (Special); Ché-Annika Mayers, B.Sc. in Management Studies (Special) with First Class Honours; and Alicia Wardrope-Haynes, B.A. in Business and Enterprise (with Distinction). Other staff members also completed various certificate and diploma programmes.

Corporate Outreach

In 2022, the Bank marked its golden anniversary, celebrating with both its staff and the public at large. At the same time, it continued its long tradition of public education, thought leadership, and support for the arts, culture, and education.

Cheers to 50 Years!

The Bank celebrated its 50th anniversary in May and as such, it designed a suite of events that captured the essence of the theme of the celebrations: ***"Living the Legacy: Continuing the Journey."***

The activities demonstrated how the institution has created a legacy of strong economic policy, informative and educational public outreach, and strategic involvement in the community that it serves.

Church Service

The Bank kicked off its golden anniversary celebrations with a service of thanksgiving at the Cathedral Church of St. Michael and All Angels. President, Her Excellency the Most Honourable Dame Sandra Mason and Minister in the Ministry of Finance and Economic Affairs, the Honourable Ryan Straughn, joined the staff and retirees for this event.

Minister Straughn lauded the Bank for its contribution to Barbados' development and challenged it to continue to work for the benefit of all Barbadians in his remarks to the congregation. He highlighted the institution's rich public education throughout its 50 years, and urged it to deepen and expand its work, especially in the area of financial literacy.

The President, Her Excellency, the Most Honourable Dame Sandra Mason arrives at the Bank's 50th anniversary church service.

A Breakfast with the Governor Show

On May 3, the day after the Bank's 50th anniversary (which on this occasion was a public holiday), Governor Haynes had a virtual breakfast get-together with staff during which he revealed a little about the man behind the CEO role. He shared anecdotes about working with the Bank's founding father, Sir Courtney Blackman, and entertained the event's co-hosts and viewers with his answers in the "This or That" game, where he shared some of his preferences and likes and dislikes.

CBB Trivia Night

The Bank hosted a trivia night that saw two teams of employees and retirees show off their knowledge of the institution and demonstrate their acting skills. The segment in which they acted out scenarios such as getting lost in the remote part of a non-English-speaking country and manoeuvring to get an oversized package into a vehicle thrilled the audience. The event showcased the diverse and creative talents of central bankers.

Teams comprising current staff and retirees tested their knowledge of the Bank during the CBB Trivia Night show.

Concert on the Green

The Bank has always been a strong supporter of the performing arts. So, in this milestone year, it hosted a free public concert on the Church Village Green that featured some of Barbados' top talent. Hundreds of Barbadians converged on the Green to enjoy the performances and support the country's artistes, including 2 Mile Hill, Israel Lovell Foundation, Keisha Christian, and Cyndi Celeste.

50th Anniversary Awards Gala and Dinner

May's anniversary celebrations were capped off by an elegant awards ceremony and dinner at the Hilton Barbados Resort. Staff members and retirees gathered to honour some of the Bank's long-standing employees who celebrated milestone anniversaries – 10, 15, 20, 25, 35, and 40 years – at the Bank.

Governor Cleviston Haynes presents a gift to Octavia Gibson, the Bank's longest serving employee, who has been with the organisation for more than 46 years, during the Awards Gala and Dinner.

Governor Haynes saluted the Bank's staff and retirees for building a solid foundation and a rich legacy throughout the five decades. He paid special tribute to current employees for their commitment and hard work over the past two years as the nation and the world battled the COVID-19 pandemic. In addition, he used the opportunity to recognise Trevor King, a retiree who was among the organisation's first employees; Octavia Gibson, who is the Bank's longest-serving current employee, having been on staff for more than 46 years; and Dr. Marion Williams, the organisation's only female Governor.

During the event, attendees were treated to performances by the Band of the Barbados Police Service, Biggie Irie, Betty Griffith, and Mr. Blood and Mikey. After the ceremony, they took to the dancefloor to enjoy the sweet sounds of the Nicholas Brancker Band.

The event was livestreamed on the Bank's YouTube channel.

Schools' Essay Competition

The schools' essay competition was designed to encourage Barbadian students to broaden their knowledge of the role of the Bank. Primary and secondary school students were able to develop their research, writing, critical-thinking, and persuasive skills while competing for attractive prizes for themselves and their schools.

Governor Haynes poses with the winners of the Bank's schools' essay competition.

Queen's College student Tianna Applewhaite emerged victorious in the secondary schools' category, which required entrants to write about "The Role of the Central Bank in Barbados' National Development," while Xia Greaves-Woodroffe of Wilkie Cumberbatch and Slade Evelyn of St. Winifred's School tied for first place in the keenly contested primary schools' section, where the topic was "A Day as the Governor of the Central Bank of Barbados."

Documentary

"Living the Legacy: Continuing the Journey" is a one-hour documentary which takes a 360-degree view of the Central Bank of Barbados from its inception to present-day.

Produced by Sherwood McCaskie and featuring many present and former staff members, the programme highlighted the institution's role not only as an advisor to Government and a regulator of the banking sector, but also as a strong supporter of the arts, culture, and education.

The documentary premiered on CBC TV8 and the Bank's social media platforms in November and is available for viewing on the Bank's YouTube channel.

To close off the anniversary year, the Bank helped 10 neighbouring schools financially and hosted a fiesta for its major stakeholders, clients, and friends.

Caribbean Economic Forum

The Bank hosted four editions of the Caribbean Economic Forum in 2022. On the first occasion, the focus was on "Building Resilience Against Climate Change," with featured guests Professor Michael Taylor, Dean, Faculty of Science and Technology, University of the West Indies, Mona; Rueanna Haynes, Director of Climate Analytics Caribbean; and Cletus Springer, Chairman of Caribbean Natural Resources Institute (CANARI). The three experts stressed the importance of taking strong action, given how vulnerable the region is to climate change and the significant impact it will have on a number of key industries.

The second edition focused on the issue that was perhaps top of mind for most people in the region at the time – inflation. The Bank brought together two regional central bank governors, Bank of Jamaica's Richard Byles and Central Bank of Barbados' Cleviston Haynes, as well as regional economist and advisor Marla Dukharan to discuss "How Can Caribbean Central Banks Fight Inflation?"

The July edition of the Caribbean Economic Forum, "Solving the Ageing Population Crisis," focused on an issue that is challenging governments in the region: how to maintain the viability of social safety nets in an environment of higher life expectancies and declining birth rates.

To tackle the issue, the Bank assembled a panel comprising Professor Emeritus Karl Theodore, Senior Consultant Advisor, HEU, Centre for Health Economics at the University of the West Indies, St. Augustine; Derek Osborne, Actuary and Partner at LifeWorks, Bahamas; and Diane Quarless, Director of the Economic Commission for Latin America and the Caribbean (ECLAC) Sub-Regional Headquarters for the Caribbean. The three experts approached the discussion from different perspectives and as such offered varying prescriptions, but all agreed that the current situation was unsustainable.

The final edition of the Caribbean Economic Forum took place in October. "Moving to Digital Payments: What Does it Mean for Me?" featured a panel comprising Sharmyn Powell, Chief Risk Officer at the Eastern Caribbean Central Bank; John Outridge, Chief Executive Officer at the Trinidad and Tobago International Financial Centre; and Wendy Delmar, Chief Executive Officer, Caribbean Association of Banks.

More than a dozen television stations broadcast the programmes live or on demand, and they were streamed on the Bank's and regional media houses' social media channels.

Sir Winston Scott Memorial Lecture

For the third consecutive year, the Sir Winston Scott Memorial Lecture was staged as a virtual event. As in 2020 and 2021, it also took the format of an interview rather than a lecture, with this year's guest, billionaire tech guru and philanthropist Strive Masiyiwa, engaging with Governor Haynes on the topic "How Innovative Entrepreneurs Can and Do Use Technology and Philanthropy to Solve Economic and Social Issues." Masiyiwa shared several insights into what makes a successful entrepreneur. He pointed out that entrepreneurs need venture capital. He opined that successful businesspeople must give back to the communities from which they benefit and help to solve big global problems like climate change.

Domestic Financial Institutions Conference

In June, the Bank hosted a Domestic Financial Institutions Conference session, "Managing Cybersecurity Threats in the Financial Sector." Maintaining the online format first started in 2020, the discussion featured a panel of cybersecurity experts, including Patricia Rowe-Seale, Director, Enterprise Security, Fraud and Supplier Risk Management, CIBC FirstCaribbean International Bank; Ryan Greaves: Chief Technology Officer, City of Bridgetown Co-operative Credit Union; and Jason Downey, Vice President of the Barbados Chapter of the Information Systems Security Association, who is also the IT Security, Privacy and Governance Manager for Massy Integrated Retail Portfolio.

During the 90-minute discussion, they provided insight into recent cybersecurity incidents in the Caribbean and discussed best practice for individuals, the financial sector, and Barbados.

Almost 200 people participated in the session, which was recorded and later posted on the Bank's website and YouTube channel.

Annual Review Seminar

In July, the Bank hosted the 42nd Annual Review Seminar, which was held under the theme "Adapting to the New Normal: Avenues for Economic Growth and Sustainable Development in the Caribbean."

The three-day event kicked off with a special session to mark the Bank's golden jubilee. That session, entitled "Central Banking Issues in Small Open Economies:

Crafting the Post-COVID Regeneration," featured presentations focused on climate risk, currency and reserve management, and the role of central bank digital currencies (CBDCs) in the evolving payments landscape.

Promoting Fair Credit Reporting

The Bank produced a series of interviews to help explain credit reporting and how it would impact the average Barbadian.

In late 2021, the Fair Credit Reporting Act was passed. The new legislation, which seeks to regularise credit reporting activities, will see the Bank being responsible for regulating the activities of credit bureaus. In anticipation of the Act being proclaimed and going into effect, the Bank began a public education campaign that saw members of the working group that drafted the bill participating in several radio and television programmes, including Down to Brass Tacks, Let's Talk About It, and The People's Business.

The Bank also prepared a set of FAQs, which were shared with staff, published on the Bank's website, and posted individually on social media. Public education efforts also included a three-part series of interviews with members of the working group. The first episode provided an overview of the Act, who it applies to, and what are the benefits to be derived from it. The series then went on to explain how credit reporting can improve lending for both financial institutions and consumers before concluding by explaining why regulation in this area is so important.

2021 Financial Stability Report

The 2021 Financial Stability Report, a joint publication by the Bank and the Financial Services Commission (FSC), was published in October. To expose the contents of the report to a broader audience, the Bank produced "Let's Talk Financial Stability," a 30-minute televised discussion that saw representatives from the Bank and the FSC explaining the report's findings.

The report showed that the financial sector remained stable over the year despite the shocks to the sector related to the spill-over effects from the COVID-19 pandemic. All of the major deposit-taking entities remained well capitalised, with levels above international benchmarks.

The Bank also shared several chapters of the report as separate articles, allowing readers to focus on individual sectors that were of specific interest to them, and produced infographics to summarise the main points in the report.

Financial Literacy Survey

The Bank conducted a survey to assess financial literacy in Barbados. Administered online, via phone, and in person, the survey was able to capture more than 500 responses from a cross-section of the Barbadian public. The results of the survey will be used to inform a digital financial literacy campaign planned for 2023.

Quarterly Press Conference

During the year, the Bank held four quarterly reviews and press conferences. As was the case throughout much of the pandemic, the first quarterly economic review was a virtual event, with reporters posing their questions for the Governor via web conference.

The Bank's quarterly economic reviews returned to an in-person format during the year.

However, the press briefing returned to being an in-person event in April, and introduced a slightly altered format that saw Governor Haynes interacting with the Chief of Corporate Communications during his initial presentation. The remainder of the programme was unchanged, with him taking questions both from members of the media and the live online audience.

The following two press conferences took on a similar format.

As per usual, these events were livestreamed on the Bank's social media channels, and the contents of the press release were later broken down and shared as infographics and other graphics on those channels.

Fish and Dragon Festival

For the second year in a row, the popular Fish and Dragon Festival was staged virtually. As a co-sponsor of the event, the Bank worked with the Embassy of the People's Republic of China in Barbados to ensure that the show maintained the same level of excitement as the in-person event.

Frank Collymore Literary Endowment (FCLE) Awards

The Bank's Frank Collymore Literary Endowment (FCLE) celebrated its 25th anniversary in 2022. The competition, which has become recognised as an arbiter of excellence in Barbadian writing, held its annual award ceremony in January 2023 with an event that featured an opening address by Deputy Governor Alwyn Jordan, readings of the finalists' works, and a feature address by local author Wayne Jordan.

Frank Collymore Literary Endowment Awards Winners (January 2023)

Prize	Amount	Artiste	Entry	Genre
1st	$10,000	Peter Laurie	"The House that Disappeared"	Fiction
2nd	$7,500	Ark Ramsay	"My Warming Body"	Non-Fiction
3rd (joint winner)	$3,000	Kerry Andre Belgrave	"you..."	Poetry
3rd (joint winner)	$3,000	Martin Boyce	"In the Secrets Place"	Fiction
Prime Minister's Award (sponsored by the Ministry of Culture)		Martin Boyce	"In the Secrets Place"	Fiction

Social Media

The institution continued to use its social media channels – Facebook, Instagram, Twitter, YouTube – and WhatsApp to inform the public of the Bank's many activities and initiatives.

The Bank livestreamed or premiered several events, including the Fish and Dragon Festival, quarterly press conferences, and the Frank Collymore Literary Endowment awards ceremony, as well as some of its 50th Anniversary events, "Let's Talk Financial Stability," and the Caribbean Economic Forum. Other events, including the Domestic Financial Institutions Conference, were posted for on-demand viewing.

In addition to this long-form content, the various channels were used to inform and educate the public about a range of activities and initiatives, among them Barbados' new Fair Credit Reporting legislation, Forex Online, and the new polymer banknotes series. The Bank also shared graphics and infographics to help Barbadians understand how the economy was performing, and to promote its activities and events.

CBB 101

In October, the Bank launched season two of CBB 101, an educational series that seeks to explain what the Bank does, why it does it, and how it impacts the average Barbadian. This season focused primarily on macroeconomic indicators.

The first six episodes focused on explaining the concept of an economy as well as the key macroeconomic indicators and specific benchmarks economists use to assess its performance. Concepts such as GDP, international reserves, and fiscal management also received special attention.

The final two episodes focused on the features and benefits of the new polymer banknotes and on public reaction to the series.

The series was broadcast on CBC TV8 and posted on the Bank's Facebook page and YouTube channel, and feedback was very positive, with one viewer commenting, "This programme is very informative and I thank you for taking the time out to produce such a programme."

Looking Ahead

The journey continues and many of the Bank's outreach activities and initiatives will carry over into 2023. The Bank will press on with building on its strong relationships with both internal and external stakeholders, and continue to use communications to realise its mandate of maintaining the currency peg and promoting financial stability. High on the agenda is a digital financial literacy campaign that will boost Barbadians' knowledge of money management and investing, give them tips on increasing their wealth, and inform them about the risks they should consider when conducting their financial affairs.

4 PUBLICATIONS AND PAPERS

Book Reviews

Pinky Joseph 2022. "Productivity and the Pandemic: Challenges and Insights from COVID-19."

Papers Presented at Conferences and Seminars

Alleyne, Laron. "A Structural Equation Approach to Residents' Perception of Tourism Development: The Case of Barbados." Central Bank of Barbados' 42nd Annual Review Seminar, July 26-29, 2022.

Beckles, Jamila. "Risk Aversion and the Uncertainty of Default: The Influence of Sovereign Credit Ratings on Investment Decisions Between Risky and Risk-Free Assets in Barbados." Central Bank of Barbados' 42nd Annual Review Seminar, July 26-29, 2022.

Carter, Justin. "Forecasting Inflation in Barbados: Machine Learning Techniques Compared to More Traditional Methods." Central Bank of Barbados' 42nd Annual Review Seminar, July 26-29, 2022.

Grosvenor, Peter. "An Analysis of Market Concentration in the Personal Loans and Deposits Sector in Barbados." Mini Review Seminar, March 28, 2022.

Jordan, Alwyn, Anton Belgrave and Lisa Brathwaite. "Currency and Reserve Management: Navigating Monetary Policy in SOEs." Central Bank of Barbados' 42nd Annual Review Seminar, July 26-29, 2022.

Joseph, Pinky. "The Impact of Debit Card Fees on Debit Card Usage: Evidence from Jamaica and Trinidad & Tobago." Central Bank of Barbados' 42nd Annual Review Seminar, July 26-29, 2022.

Kinch, Christopher. "The Fiscal Implications of Transport Electrification." Central Bank of Barbados' 42nd Annual Review Seminar, July 26-29, 2022.

Lawrence, Nkenge. "Examining the Impact of Diversification on Economic Growth: A Caribbean Study." Mini Review Seminar, December 9, 2022.

Okey, Onoh-Obasi, Shekira Thompson and Winston Moore. "Green Financing Options in Barbados." Mini Review Seminar, June 23, 2022.

Parris, Britney. "Economic Growth Through Agriculture." Mini Review Seminar, December 9, 2022.

Thompson, Shekira. "Open Wounds: Examining the Scars of Youth Employment in the Caribbean." Central Bank of Barbados' 42nd Annual Review Seminar, July 26-29, 2022.

Waldron, Shamika. "Special Drawing Rights: How Special Are They?" Mini Review Seminar, December 9, 2022.

Walkes, Carlon. "What is the Relationship Between Interest Rates, Income, and Borrowing for Barbadians?" Mini Review Seminar, March 28, 2022.

Wilson, Karise and Anton Belgrave. "House Prices and Financial Stability: An Update and Additional Considerations." Central Bank of Barbados' 42nd Annual Review Seminar, July 26-29, 2022.

5 ADOPTION OF FINANCIAL STATEMENTS

Adoption of the Annual Consolidated Financial Statements 2022

The financial statements of the Bank have been prepared in accordance with International Financial Reporting Standards (IFRS).

The Bank has recorded an accumulated deficit of $1,584 million as at December 31, 2022. This deficit was caused primarily by significant non-recurring costs of $1,693 million, reflecting statutory initiatives of Government, namely the write off of Advances to Government under the Financial Management and Audit (Amendment) Act and the institution of a debt exchange programme which resulted in the derecognition of Government treasury bills and debentures under the Debt Holder (Approval of Debt Restructuring) Act. These costs were incurred in 2018.

Management has concluded that the going concern assumption is appropriate for the Bank. The Bank continues to perform its statutory purpose and management has reasonable expectations that the Bank will continue to generate cash flows to meet its operating requirements over 12 months from the reporting date.

Government, the sole shareholder with the Bank has developed a gradual approach to recapitalisation:

a) Maintaining the status quo to organically grow capital through profits with no capital being injected into the Bank in the near to medium term and
b) In approximately seven years, there is a gradual recapitalisation of authorised capital based on a predetermined payment plan.

Management has concluded that the consolidated financial statements fairly present the Bank's consolidated financial position, financial performance and cash flow and that it has complied with IFRS.

Consolidated Statement of Financial Position

Total assets decreased by $22 million to reach $4,007 million. The overall value of the reserve of external asset, excluding IMF balances, decreased by $230 million, due mainly to unrealised losses on the revaluation of foreign securities. Local assets increased by $246 miliion, mainly due to the purchase of treasury notes during the year.

IMF assets decreased by $38 million due to currency revaluations and interest charges.
The Bank operates a non-contributory post-retirement medical scheme through a group medical contract for its active employees, pensioners and their dependents. The Bank has recognised a liability of $16 million as at 31 December 2022, related to its post- retirement medical obligation.

Notes and coins in circulation increased by $84 million and commercial banks' deposits at the Bank increased by $154 million, reflecting the continued liquidity in the banking system.

The Bank's liabilities related to SDR's decreased from $437 million to $415 million due to currency revaluations. Government deposits with the Bank also decreased by $134 million.

The net capital and deficit deteriorated from an overall deficit of $1,590 million to $1,741 million. This is primarily due to unrealised losses on foreign securities of $170 million and an increase of $5 million in the Retirement Benefit Reserve. These were offset by an increase in net income of $24 million for the year.

Consolidated Statement of Income and Comprehensive Loss

The Bank continued its risk-averse approach to securities management and accordingly, investments are not held to maximize earnings but to maintain economic stability and support Government policy.

Income before foreign exchange gains and losses increased from $74 million to $83 million. An increase of $9 million in realised losses on the sale of foreign securities was offset by an increase in interest income of $18 million. Overall, total income increased by $49 million, mainly the result of a gain on foreign exchange of $29 million compared to a loss of $11million in 2021.

Operating Expenses

Total expenses increased by $27 million moving to $88 million in 2022. Operating expenses before credit losses and recovery/write off of fixed assets increased to $88.3 million compared to $60 million in 2021. $18 million of this increase is attributed to the medical benefit expense recognised in 2022.

Administrative expenses increased by $5.4 million because of additional property maintenance during 2022; while the increased interest cost of $5.7 million relates mainly to interest on the Extended Fund facility.

Other comprehensive loss

The Bank recorded unrealised losses of $170 million arising on the market revaluation of the foreign assets' portfolio. A negative retirement benefit adjustment of $6 million was realised and a positive adjustment of $1 million was incurred in the Medical Benefit Reserve.

Net Results for the Year

The Bank recorded a net operating profit of $24 million for the year and a total comprehensive loss of $151 million.

Approved Financial Statements

Annexed to this report are the Independent Auditor's Report, Consolidated Statement of Financial Position as at December 31, 2022, the Consolidated Statement of Income and Consolidated Comprehensive Loss, Consolidated Statement of Changes in Equity and Consolidated Statement of Cash Flows and explanatory notes to the consolidated financial statements.

On March 14, 2023 the Board of Directors, on recommendation from the Audit Committee, approved the Consolidated Financial Statements for the year ended December 31, 2022 and the explanatory notes to the Consolidated Financial Statements.

CENTRAL BANK OF BARBADOS

AUDITOR'S REPORT TO THE BOARD OF DIRECTORS

CONSOLIDATED FINANCIAL STATEMENTS

AS AT DECEMBER 31, 2022

CONTENTS

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Independent auditor's report

To the Board of Directors of Central Bank of Barbados

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Central Bank of Barbados (the Bank) and its subsidiaries (together 'the Group') as at December 31, 2022, and their consolidated financial performance and their consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at December 31, 2022;
- the consolidated statement of income and comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Other information

Management is responsible for the other information. The other information comprises the annual report (but does not include the consolidated financial statements and our auditor's report thereon).

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

PricewaterhouseCoopers SRL, The Financial Services Centre, Bishop's Court Hill, P.O. Box 111, St. Michael, BB14004, Barbados, West Indies
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In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Other matter

This report is made solely to the Bank's board of directors, as a body, in accordance with Section 67 of the Central Bank of Barbados Act, 2020. Our audit work has been undertaken so that we might state to the Bank's board of directors those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law and subject to any enactment or rule of law to the contrary, we do not accept or assume responsibility to anyone other than the Bank and the Bank's board of directors as a body, for our audit work, for this report, or for the opinion we have formed.

PricewaterhouseCoopers SRL

PricewaterhouseCoopers SRL
Bridgetown, Barbados
March 30, 2023

Consolidated Statement of Financial Position

As at December 31, 2022

(Expressed in BDS $000)

ASSETS

	NOTES	2022	2021
RESERVE OF EXTERNAL ASSETS:*			
Balances Held Abroad	3	543,499	613,754
Foreign Notes and Coins		26,993	12,220
Foreign Securities	4	1,964,333	2,138,633
Derivative Financial Instruments	5	27	-
		2,534,852	2,764,607
International Monetary Fund:			
Reserve Tranche	6	33,895	35,646
Holdings of Special Drawing Rights	6	225,743	262,036
		259,638	297,682
Total Reserve of External Assets		2,794,490	3,062,289
LOCAL ASSETS:			
Securities:			
Barbados Government Treasury Bills	7	207,220	207,220
Barbados Government Treasury Notes	7	210,099	-
Barbados Government Debentures	7	418,392	419,645
		835,711	626,865
Fixed Deposits	8	9,350	10,140
		845,061	637,005
Advances:			
Government	9	214,385	189,805
Investment in Associate	10	12,646	12,343
Other Investments	10	1,306	1,306
Property, Plant and Equipment	11 (a)	101,361	100,019
Right of Use Asset	11 (b)	518	757
Other Assets	12	37,389	24,831
Net Employee Defined Benefit Asset	20	301	1,079
		1,212,967	967,145
Total Assets		4,007,457	4,029,434

*Includes cash and cash equivalents of $520,423 (2021 - $405,760).

See accompanying notes to financial statements.

Consolidated Statement of Financial Position

As at December 31, 2022

(Expressed in BDS $000)

LIABILITIES, CAPITAL AND DEFICIT

	NOTES	2022	2021
LIABILITIES:			
Notes and Coins in Circulation	13	1,043,652	959,709
Deposits:			
Government		273,885	408,363
Banks		3,304,371	3,150,050
Financial Institutions		1,134	1,289
Other		240,127	216,159
	14	3,819,517	3,775,861
Other Liabilities:			
Allocation of Special Drawing Rights	15	415,265	436,815
Loan - International Monetary Fund	15	374,732	394,091
Lease Liability	11(b)	564	787
Other	16	79,012	52,398
Medical Benefit Obligation	20	16,335	-
		885,908	884,091
Total Liabilities		5,749,077	5,619,661
CAPITAL AND DEFICIT:			
Authorised Capital: BDS$25,000,000			
Paid Up Capital: Government of Barbados	17	25,000	25,000
Contributed Surplus	17	1,555	1,555
Fair Value Reserve	17	(183,987)	(13,797)
Retirement Benefit Reserve	20	(26,157)	(20,857)
Accumulated Deficit		(1,584,045)	(1,613,280)
General Reserve	17	26,014	31,152
Net Capital and Deficit		(1,741,620)	(1,590,227)
		4,007,457	4,029,434

See accompanying notes to financial statements.

Approved on behalf of the Board of Directors on March 14, 2023.

____________________ **Governor**

____________________ **Financial Controller**

Consolidated Statement of Income and Comprehensive Income

For the year ended December 31, 2022

(Expressed in BDS $000)

	NOTES	2022	2021
INCOME:			
Interest:			
Treasury Bills		7,551	7,469
Advances		6,513	7,056
Deposits		7,621	633
Securities		55,506	43,959
		77,191	59,117
Commissions and Fees		11,900	12,496
Other Income	19	2,232	1,922
Share of Profit of Associate		303	143
Net Gain (Loss) on FX Currency Revaluation		29,002	(10,749)
(Loss) Gain on Disposal of Fixed Assets		(8)	(7)
Premiums		9	19
Net Gain on Foreign Investment Securities at FVTPL		27	-
Net (Loss) Gain on Sale of Foreign Securities		(8,617)	564
Earnings before interest costs, operating costs and impairment charges		112,039	63,505
EXPENSES:			
Administrative		21,459	16,032
Claims		104	269
Depreciation	11	5,228	5,579
Interest		13,127	7,384
Minting of Coins		650	1,372
Printing of Notes		1,963	1,289
Retirement Benefits	20	2,138	3,198
Medical Benefit	20	18,025	-
Salaries and Allowances		25,636	24,800
Recovery of Fixed Assets		-	(1,311)
Credit (Recovery) Loss Expense	22	(388)	2,049
Total Expenses		87,942	60,661
Net income for the year		24,097	2,844
Other Comprehensive Loss:			
Unrealised losses on Securities at FVOCI		(170,190)	(41,106)
Retirement Benefit Adjustment	20	(6,224)	10,124
Medical Benefit Adjustment	20	924	-
Total Other Comprehensive Loss		(175,490)	(30,982)
Total Comprehensive Loss for the Year		(151,393)	(28,138)

See accompanying notes to financial statements.

Consolidated Statement of Changes in Equity

For the year ended December 31, 2022
(Expressed in BDS $000)

	Paid up Capital	Contributed Surplus	Fair Value Reserve	Retirement Benefit Reserve	Accumulated Deficit	General Reserve	Total
Balance brought forward – January 1, 2021	25,000	1,555	27,309	(30,981)	(1,613,423)	28,451	(1,562,089)
Net Income for the Year	-	-	-	-	2,844	-	2,844
Fair Value Adjustment	-	-	(41,106)	-	-	-	(41,106)
Pension Adjustment	-	-	-	10,124	-	-	10,124
Transfer to General Reserve (Note 17)	-	-	-	-	(2,701)	2,701	-
Balance carried forward – December 31, 2021	25,000	1,555	(13,797)	(20,857)	(1,613,280)	31,152	(1,590,227)
Net Income for the Year	-	-	-	-	24,097	-	24,097
Fair Value Adjustment	-	-	(170,190)	-	-	-	(170,190)
Pension Adjustment	-	-	-	(6,224)	-	-	(6,224)
Medical Benefit Adjustment	-	-	-	924	-	-	924
Transfer to General Reserve (Note 17)	-	-	-	-	5,138	(5,138)	-
Balance carried forward – December 31, 2022	25,000	1,555	(183,987)	(26,157)	(1,584,045)	26,014	(1,741,620)

See accompanying notes to financial statements.

Consolidated Statement of Cash Flows

For the year ended December 31, 2022
(Expressed in BDS $000)

	NOTES	2022	2021
Cash flows from operating activities			
Net Income for the year		24,097	2,844
Adjustments for:			
Depreciation		5,228	5,579
Loss on Sale of Property, Plant, and Equipment		8	7
Share of Profit of Associate		(303)	(143)
Retirement Benefit Adjustment		(5,446)	(4,411)
Medical Benefit Adjustment		17,259	-
Net Unrealised (Gain) Loss on FX Currency Revaluation		(29,221)	12,266
Net Losses on Foreign Investment Securities At FVTPL	5	(27)	-
Recovery of Fixed Assets		-	(1,311)
(Recovery) Credit Loss Expense		(388)	2,049
Operating profit before working capital changes		11,207	16,880
Decrease in Short Term Deposits	3	170,145	81,666
Increase in Other Assets		(12,558)	(386)
Net Decrease (Increase) in Foreign Securities	4	4,110	(580,382)
Decrease (Increase) in Holdings of Special Drawing Rights		23,347	(247,649)
Net (Increase) Decrease in Local Securities		(208,056)	5,223
Net increase in Government Advances		(24,580)	(54,465)
Increase in Deposits		47,142	129,635
Increase in Other Liabilities		26,614	15,775
Decrease in Lease Liability		(223)	(223)
Net cash from (used in) operating activities		37,148	(633,926)
Cash flows from investing activities			
Purchase of Property, Plant and Equipment	11a	(6,347)	(5,849)
Proceeds from Sale of Property, Plant and Equipment		8	-
Net cash used in investing activities		(6,339)	(5,849)
Cash flows from financing activities			
Increase in Notes and Coins in Circulation		83,943	69,708
(Decrease) Increase in Allocation of Special Drawing Rights		(89)	261,590
Net cash from financing activities		83,854	331,298
Net Increase (Decrease) in Cash and Cash Equivalents		114,663	(308,477)
Cash and Cash Equivalents at Beginning of Year		405,760	714,237
Cash and Cash Equivalents at End of Year		520,423	405,760
Cash and cash equivalents comprise:			
Current Account and Short-Term Deposits	3	493,430	393,540
Foreign Notes and Coins		26,993	12,220
		520,423	405,760

See accompanying notes to financial statements.

1. BUSINESS OF THE CENTRAL BANK

The Central Bank of Barbados (the “Bank”) was incorporated under the Central Bank of Barbados Act CAP 323C (the former Act) and is responsible for the administration of the Financial Institutions Act, CAP 324A.

On December 14, 2020, Parliament of Barbados repealed and replaced the former Act with the Central Bank of Barbados Act 2020-30 (“the new Act). The purpose of the new Act is to strengthen the Bank’s governance and independence while maintaining accountability. Another purpose of the new Act is to ensure the compliance of the Bank with internationally recognised accounting standards and other related matters.

The Bank is domiciled in Barbados and its registered office is the Tom Adams Financial Centre, Spry Street, Bridgetown, Barbados. The sole shareholder of the Bank is the Government of Barbados (“Government”).

These statements represent the consolidated financial statements of the Bank and its subsidiaries (collectively, the “Bank”) for the year ended December 31, 2022.

The primary objective of the Bank as set out in the new Act is to maintain the value of the currency. The secondary objective is to promote financial stability which is conducive to the orderly and sustained economic development of Barbados.

The Bank has recorded net capital and deficit of $1,741,620 (2021: $1,590,227) as at December 31, 2022. This deficit was caused primarily by significant non-recurring costs in 2018 of $1,693,255, which included the first time implementation of IFRS9 and restructuring costs reflecting statutory initiatives of Government, namely the write off of Advances to Government under the Financial Management and Audit (Amendment) Act and the institution of a debt exchange which resulted in the derecognition of Government treasury bills and debentures under the Debt Holder (Approval of Debt Restructuring) Act.

The deficit does not affect the Bank’s ability to carry out its statutory purpose and management has reasonable expectations that the Bank will generate cash flows to meet its operating requirements over the twelve months from the reporting date.

Management has concluded that the consolidated financial statements fairly present the Bank’s consolidated financial position, financial performance and cash flow, and that it has complied with International Financial Reporting Standards (IFRS). There are no pending legal or regulatory proceedings against the Bank that may, if successful, result in claims that are unlikely to be satisfied; and no changes in legislation or government policy is expected to adversely affect the Bank. The Bank may only be wound-up by an Act of Parliament and the sole shareholder in conjunction with the Bank, has developed a recapitalization plan under the conditionality of an International Monetary Fund – Extended Fund Facility (IMF-EFF).

The Government has also met and surpassed all quantitative targets associated with the IMF-EFF which include certain fixed deficit thresholds, reserve levels and debt limits.

In December 2019, S&P raised its long and short-term foreign currency holdings ratings for Barbados to ‘B-/B’ from ‘SD/SD’ and assigned ‘B-‘ foreign currency issue ratings to the foreign currency debt delivered in the exchange. This rating has remained unchanged.

During October 2022, Fitch Ratings assigned Barbados a long-term foreign currency issuer default rating or IDR of ‘B’ with a stable rating outlook. The international credit rating agency also assigned a short-term IDR of ‘B’, a country ceiling of ‘B’ and senior unsecured debt level of ‘B’.

1. BUSINESS OF THE CENTRAL BANK, continued

In November 2020 the Bank consulted with an IMF mission team to discuss recapitalisation. The purpose of the mission was to analyze the Bank's revenue generating capacity and capital needs to achieve policy solvency in the near to medium term through a government recapitalization plan. Subsequently the Cabinet at its meeting on June 24, 2021 approved a gradual approach to the recapitalization of the Bank with Government:

a) Maintaining the status quo to organically grow capital through profits with no capital being injected into the Bank in the near to medium term and

b) In approximately seven years, there is a gradual recapitalization of authorised capital based on a predetermined payment plan.

On September 15, 2020, the Governor General announced in the 'Throne Speech' at the State opening of Parliament that the Government will modify existing Credit Funds held on the books of the Bank with the aim to create an Industrial Transformation Fund. This proposal aligns with discussions that the Bank has had with the International Monetary Fund to divest itself of what are perceived as "quasi-fiscal" activities that might result in financial losses to the Bank. Additionally, the new Act mandates that the divestment happens within two years of its issuance. The Bank has not yet determined the nature or timing of the divestment.

During November 2022, the Bank determined that efforts should be made to wind up the two subsidiaries. The Board at its meeting on March 14, 2023 determined that the two subsidiaries should be wound up effective March 31, 2023. Additionally, the Bank should negotiate the sale of its investment in associate to the parent.

Management has assessed the effect of Covid-19 on its operations and have concluded that there is no significant impact on the Bank's ability to operate as a going concern or meet its operating objectives as mentioned earlier.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of Preparation

The consolidated financial statements of the Bank have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The consolidated financial statements comprise the consolidated statements of financial position, income and comprehensive income, changes in equity, cash flows and related notes.

The consolidated financial statements have been prepared on the historical cost basis of accounting, modified to include financial assets that are carried at fair value. The measurement of certain foreign securities is at "fair value through other comprehensive income (FVOCI)" under IFRS 9 with the resulting unrealised gains or losses carried forward in the consolidated Statement of Financial Position. The measurement of financial assets and liabilities measured at fair value through profit and loss are recorded at fair value.

b) Basis of Consolidation

These consolidated financial statements comprise the financial statements of the Bank and its wholly owned subsidiaries which are the Credit Guarantee Scheme for Small Business and the Export Credit Insurance & Guarantee Scheme. The financial statements of the Bank's subsidiaries are prepared for the same reporting year as the Bank. All intra-group balances, transactions, income and expenses are eliminated in full.

2. SIGNIFICANT ACCOUNTING POLICIES, continued

b) Basis of Consolidation, continued

Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Bank has the power to govern the financial and operating policies, generally accompanying a shareholding of more than 50% of net assets. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Bank controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Bank. Control is achieved where the Bank has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Non-controlling interests represent the portion of profit or loss and net assets of subsidiaries not owned, directly or indirectly, by the Bank. Currently, there are no non-controlling interests as the subsidiaries being consolidated are owned 100% by the Bank.

Prior to December 14, 2020, the former Act empowered the Bank, with the approval of the Minister of Finance, to acquire, hold and sell shares or other securities of any statutory body or company registered under the Companies Act for the purpose of promoting the development of a money or securities market or for financing the economic development of Barbados. The Bank has interests in a number of institutions – the Industrial Credit Fund, the Barbados Stock Exchange, the Barbados Deposit Insurance Scheme and the Barbados Automated Clearing House Services Incorporated.

Except for The Barbados Deposit Insurance Corporation (BDIC), the Bank has a minority financial interest in the entities noted above. The BDIC was established for the protection of depositors in the domestic financial system. While the share capital was paid up by the Bank, the BDIC was always conceived to be a separate and independent institution with its own mandate and operates as such. The financial statements of the BDIC have not been consolidated, as the Bank is deemed not to have control over this institution as the majority of Board members are appointed by the Ministry of Finance. The Bank's exposure is limited to the extent of its investment.

c) Investment in Associate

An associate is an entity over which the Bank has significant influence but not control, generally accompanied by a shareholding of between 20% and 50% of the voting rights. Investment in associate is accounted for by the equity method of accounting and is initially recognised at cost.

The Bank's share of its associate's post-acquisition profits or losses is recognised in the consolidated statement of income and comprehensive income, and its share of post-acquisition movements in other comprehensive income or loss is recognised in other comprehensive income or loss with a corresponding adjustment to the carrying amount of the investment.

The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Bank's share of losses in an associate equal or exceeds its interest in the associate, including any other unsecured receivables, the Bank does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The Bank determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Bank calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the consolidated statement of income and comprehensive income.

2. SIGNIFICANT ACCOUNTING POLICIES, continued

c) Investment in Associate, continued

Unrealised gains on transactions between the Bank and its associates are eliminated to the extent of the Bank's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. For the preparation of the consolidated financial statements, common accounting policies for similar transactions and other events in similar circumstances are used.

The Bank's investment in the Industrial Credit Fund is 13.3% and it has been classified as an associate because the Bank exhibits significant influence over its operations. Specifically, the Bank executes the day to day management of the Fund including determination of policy. The Bank's exposure is limited to the extent of its investment.

d) Leases

Bank as a Lessee

The Bank assesses whether a contract is or contains a lease, at inception of the contract. The Bank recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Bank recognises the lease payments as an operating expense on a straight-line basis over the term of the lease.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease.

Lease payments included in the measurement of the lease liability comprise fixed lease payments. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Bank remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

The lease term, payments or lease contract is modified.

The Bank did not make any such adjustments during the periods presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Bank incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset.

2. SIGNIFICANT ACCOUNTING POLICIES, continued

d) Leases, continued

Bank as a Lessee, continued

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Bank expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The Bank applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, Plant and Equipment' policy.

Bank as a Lessor:

Leases in which the Bank does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the Consolidated Statement of Income and Comprehensive Income due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased assets and recognised over the lease term on the same basis as rental income.

e) Financial Instruments: Initial Recognition

Date of Recognition

Financial assets and liabilities, with the exception of advances and deposits, are initially recognised on the settlement date, which is the date that an asset is delivered to or by the Bank. This includes regular trades, purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place. Advances and deposits are recognised when funds are transferred to the customers' accounts.

Initial Measurement of Financial Instruments

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments. Financial instruments are initially measured at their fair value except in the case of financial assets and financial liabilities recorded at Fair Value through the Profit and Loss (FVPL). Transaction costs are added to, or subtracted from this amount. Trade receivables are measured at the transaction price. When the fair value of financial instruments at initial recognition differs from the transaction price, the Bank accounts for the Day 1 profit or loss.

Day 1 Profit or Loss

When the transaction price of the instrument differs from the fair value at origination and the fair value is based on a valuation technique using only inputs observable in market transactions, the Bank recognises the difference between the transaction price and fair value in income. In those cases where fair value is based on models for which some of the inputs are not observable, the difference between the transaction price and the fair value is deferred and is only recognised in profit or loss when the inputs become observable, or when the instrument is derecognised.

2. SIGNIFICANT ACCOUNTING POLICIES, continued

e) Financial Instruments: Initial Recognition, continued

Measurement Categories of Financial Assets and Liabilities

The Bank classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms, measured at either:

- Amortised cost
- Fair Value through Other Comprehensive Income (FVOCI)
- Fair Value through Profit or Loss (FVPL)

The Bank may designate financial instruments at FVPL, if so doing eliminates or significantly reduces measurement or recognition inconsistencies between assets and related liabilities.

f) Financial Assets and Liabilities

Balances Held Abroad, Advances and Financial Investments at Amortised Cost

The Bank only measures balances held abroad, advances and other financial investments at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows.

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

The details of these conditions are outlined below:

Business Model Assessment

The Bank determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective.

The Bank's business model is assessed both on an instrument-by-instrument basis and at a higher level of portfolios and is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel.
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed.
- The expected frequency, value and timing of sales are also important aspects of the Bank's assessment.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realized in a way that is different from the Bank's original expectations, the Bank does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

2. SIGNIFICANT ACCOUNTING POLICIES, continued

f) Financial Assets and Liabilities, continued

SPPI Test

As a second step of its classification process the Bank assesses the contractual terms of financial assets to identify whether they meet the SPPI test.

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To perform the SPPI assessment, the Bank applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVPL.

g) Debt Instruments at FVOCI

The Bank measures debt instruments at FVOCI when both of the following conditions are met:

- The instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets.
- The contractual terms of the financial asset meet the SPPI test.

FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in Other Comprehensive Income ("OCI"). Interest income and foreign exchange gains and losses are recognised in profit or loss in the same manner as for financial assets measured at amortised cost. Where the Bank holds more than one investment in the same security, they are deemed to be disposed of on a first–in first–out basis. On derecognition, cumulative gains or losses previously recognised in OCI are reclassified from OCI to profit or loss.

h) Equity Instruments at FVOCI

Upon initial recognition, the Bank elects to classify irrevocably some of its equity investments as equity instruments at FVOCI when they meet the definition of Equity under IAS 32 Financial Instruments: Presentation and are not held for trading.

Gains and losses on these equity instruments are never recycled to profit. Dividends are recognised in profit or loss as other operating income when the right of the payment has been established, except when the Bank benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in OCI. Equity instruments at FVOCI are not subject to an impairment assessment.

2. SIGNIFICANT ACCOUNTING POLICIES, continued

i) Borrowed Funds

After initial measurement, borrowed funds are subsequently measured at amortised cost. Amortised cost is calculated by taking into account any discount or premium on borrowed funds, and costs that are an integral part of the effective interest rate.

j) Financial Assets and Financial Liabilities at FVPL

Financial assets and financial liabilities in this category are those that are not held for trading and have been either designated by management upon initial recognition or are mandatorily required to be measured at fair value under IFRS 9. Management only designates an instrument at FVPL upon initial recognition when one of the following criteria are met.

Such designation is determined on an instrument-by-instrument basis:

- The designation eliminates, or significantly reduces, the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on them on a different basis, or;

- The assets or liabilities are part of a group, which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, or;

- The assets or liabilities contain one or more embedded derivatives, unless they do not significantly modify the cash flows that would otherwise be required by the contract, or it is clear with little or no analysis when a similar instrument is first considered that separation of the embedded derivative(s) is prohibited.

Financial assets and financial liabilities at FVPL are recorded in the consolidated statement of financial position at fair value.

Changes in fair value are recorded in profit or loss. Interest earned or incurred on instruments designated at FVPL is accrued in interest income or interest expense, respectively, using the Effective Interest Rate (EIR), taking into account any discount/premium and qualifying transaction costs being an integral part of instrument. Interest earned on assets mandatorily required to be measured at FVPL is recorded using contractual interest rate. Dividend income from equity instruments measured at FVPL is recorded in profit or loss as other operating income when the right to the payment has been established.

Derivative financial instruments

Derivatives are initially recognised at fair value on the date on which the derivative contract is entered into and subsequently remeasured at their fair value. Fair values are obtained from quoted market prices in active markets including recent market transactions. All derivatives are carried as assets when the fair value is positive and liabilities when the fair value is negative. Changes in the fair value of the Bank's derivatives instruments are immediately in the statement of profit or loss.

The best evidence of the fair value of a derivative at initial recognition is the transaction price that is, the fair value of the consideration given or received unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (that is, without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets.

2. SIGNIFICANT ACCOUNTING POLICIES, continued

j) Financial Assets and Financial Liabilities at FVPL, continued

Derivative financial instruments, continued

The Bank's derivative financial instruments are foreign currency future contracts. Derivative financial instruments are measured at fair value and disclosed in Note 5. None of the Bank's derivative instruments have been designated as hedging instruments.

k) Reclassification of Financial Assets and Liabilities

The Bank does not reclassify its financial assets subsequent to their initial recognition. However, should the Bank change its business model for managing financial assets, it will reclassify its financial assets from the date of the change. Financial liabilities are never reclassified.

l) Derecognition of Financial Assets and Liabilities

Derecognition due to Substantial Modification of Terms and Conditions

The Bank derecognises a financial asset when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new instrument, with the difference realised as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded. The newly recognised instruments are classified as Stage 1 for ECL measurement purposes, unless the new instrument is deemed to be purchased or originated credit impaired (POCI).

When assessing whether or not to derecognise the Bank considers the following factors:

- Change in counterparty.
- If the modification is such that the instrument would no longer meet the SPPI criterion.

If the modification does not result in cash flows that are substantially different, the modification does not result in derecognition. Based on the change in cash flows discounted at the original EIR, the Bank records a modification gain or loss, to the extent that an impairment loss has not already been recorded.

Financial Assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when the rights to receive cash flows from the financial asset have expired. The Bank also derecognises the financial asset if it has both transferred the financial asset and the transfer qualifies for derecognition.

The Bank has transferred the financial asset if, and only if, either:

- The Bank has transferred its contractual rights to receive cash flows from the financial asset,

  Or

- It retains the rights to the cash flows, but has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass–through' arrangement.

The Bank does not have pass-through arrangements.

2. SIGNIFICANT ACCOUNTING POLICIES, continued

l) Derecognition of Financial Assets and Liabilities, continued

Financial Assets, continued

A transfer only qualifies for derecognition if either:

- The Bank has transferred substantially all the risks and rewards of the asset,

  Or

- The Bank has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

The Bank considers control to be transferred if and only if, the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without imposing additional restrictions on the transfer.

When the Bank has neither transferred nor retained substantially all the risks and rewards and has retained control of the asset, the asset continues to be recognised only to the extent of the Bank's continuing involvement, in which case, the Bank also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Bank has retained.

Financial Liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability.

The difference between the carrying value of the original financial liability and the consideration paid is recognised in the consolidated statement of income and comprehensive income.

m) Impairment of Financial Assets

Overview of the ECL principles

The Bank records an allowance for ECL on all loans and other debt financial assets not held at FVPL. Equity instruments are not subject to impairment under IFRS 9.

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12mECL).

The 12mECL is the portion of LTECLs that represents the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

2. SIGNIFICANT ACCOUNTING POLICIES, continued

m) Impairment of Financial Assets, continued

Overview of the ECL principles, continued

Both LTECLs and 12mECLs are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments.

The Bank considers at the end of each reporting period, whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

Based on the above process, the Bank allocates its assets into Stage 1, Stage 2, Stage 3 and Purchased or originated credit impaired (POCI), as described below:

- Stage 1: When assets are first recognised, the Bank recognises an allowance based on 12mECLs. Stage 1 assets also include facilities where the credit risk has improved and the asset has been reclassified from Stage 2.

- Stage 2: When an asset has shown a significant increase in credit risk since origination, the Bank records an allowance for the LTECLs. Stage 2 assets also include facilities where the credit risk has improved and the asset has been reclassified from Stage 3.

- Stage 3: Assets considered credit-impaired. The Bank records an allowance for the LTECLs.

POCI: POCI assets are financial assets that are credit impaired on initial recognition. POCI assets are recorded at fair value at original recognition and interest income is subsequently recognised based on a credit-adjusted EIR. ECLs are only recognised or released to the extent that there is a subsequent change in the expected credit losses.

For financial assets for which the Bank has no reasonable expectations of recovering either the entire outstanding amount, or a proportion thereof, the gross carrying amount of the financial asset is reduced. This is considered a partial derecognition of the financial asset.

The Bank calculates ECLs based on probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

The Calculation of ECLs

The mechanics of the ECL calculations are outlined below and the key elements are as follows:

- PD - The Probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the financial instrument has not been previously derecognised and is still in the portfolio.

- EAD - The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.

2. SIGNIFICANT ACCOUNTING POLICIES, continued

m) Impairment of Financial Assets, continued

The Calculation of ECLs, continued

- LGD - The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of the EAD.

  The maximum period for which the credit losses are determined is the contractual life of a financial instrument unless the Bank has the legal right to call it earlier. The mechanics of the ECL method are summarised below:

- Stage 1: The 12mECL is calculated as the portion of LTECLs that represents the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Bank calculates the 12mECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an approximation to the original EIR.

- Stage 2: When an asset has shown a significant increase in credit risk since origination, the Bank records an allowance for the LTECLs. The mechanics are similar to those explained above, but PDs and LGDs are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR.

- Stage 3: For assets considered credit-impaired, the Bank recognises the lifetime expected credit losses for these loans. The method is similar to that for Stage 2 assets, with the PD set at 100%.

- POCI: assets are financial assets that are credit impaired on initial recognition. The Bank only recognises the cumulative changes in lifetime ECLs since initial recognition, based on a probability-weighting scenario, discounted by the credit adjusted EIR.

- Financial Guarantee: The Bank's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation recognised in the income statement, and the ECL provision. For this purpose, the Bank estimates ECL based on the present value of the expected payments to reimburse the holder for a credit loss that it incurs. The shortfalls are discounted by the risk-adjusted interest rate relevant to the exposure.

Significant increase in credit risk

In assessing whether the credit risk on a financial asset has increased significantly since initial recognition, the Bank compares the risk of a default occurring on the financial asset as at the reporting date with the risk as at the date of initial recognition. The Bank considers many factors when assessing a financial asset for a significant increase in credit risk, including but not limited to 1) an actual or expected significant deterioration in the financial asset's credit rating; 2) significant deterioration in external market indicators of credit risk for a financial asset; or 3) existing or forecast adverse changes in the business, financial, regulatory, technological or economic environment of the counterparty that results in a significant decrease in the counterparty's ability to meet its debt obligations.

2. SIGNIFICANT ACCOUNTING POLICIES, continued

m) Impairment of Financial Assets, continued

Significant increase in credit risk, continued

In certain cases, the Bank may consider that events identified in the definition of default are a significant increase in credit risk as opposed to a true default. In making this assessment, the Bank considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

Definition of default

The Bank considers a financial asset to be in default as a result of one or more loss events that occurred after the date of initial recognition of the instrument and the loss event has a negative impact on the estimated future cash flows of the instrument that can be reliably estimated. This includes events that indicate:

- significant financial difficulty of the borrower or issuer;
- default, in the case of debt instruments or 90 days past due delinquency on loans, in contractual, interest or principal payments;
- high probability of the borrower entering a phase of bankruptcy or a financial reorganization;
- measurable decrease in the estimated future cash flows from the loan or the underlying assets that secure the loan;
- The restructuring of a loan or advance by the Bank on terms that the Bank would not consider otherwise

Debt Instruments Measured at Fair Value through Other Comprehensive Income

The ECLs for debt instruments measured at FVOCI do not reduce the carrying amount of these financial assets in the statement of financial position, which remains at fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortised cost is recognised in OCI as an accumulated impairment amount, with a corresponding charge to profit or loss. The accumulated loss recognised in OCI is recycled to the profit and loss upon derecognition of the assets.

Purchased or Originated Credit Impaired Financial Assets (POCI)

For POCI financial assets, the Bank only recognises the cumulative changes in LTECL since initial recognition in the loss allowance.

Forward Looking Information

In its ECL models, the Bank relies on a broad range of forward-looking information as economic inputs, which may include:

- GDP growth
- Consumer price index and inflation
- Interest rates

The inputs and models used for calculating ECLs may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

2. SIGNIFICANT ACCOUNTING POLICIES, continued

m) Impairment of Financial Assets, continued

Collateral Valuation

To mitigate its credit risks on financial assets, the Bank seeks to use collateral, where possible. The collateral comes in various forms, such as letters of credit/guarantees, real estate and other non-financial assets. Collateral, unless repossessed, is not recorded on the Bank's statement of financial position. However, the fair value of collateral affects the calculation of ECLs. It is generally assessed, at a minimum, at inception and re-assessed on an annual basis.

n) Impairment of Non-Financial Assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows (cash-generating units). The impairment test also can be performed on a single asset when the fair value less costs to sell or the value in use can be determined reliably. Non-financial assets that suffer impairment are reviewed for possible reversal of the impairment at each reporting date.

o) Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Bank and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

Interest Income

For financial instruments measured at amortized cost and other interest-bearing financial assets interest income is recorded using the EIR. EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income on purchased or originated credit impaired financial assets is measured using credit – adjusted EIR.

Commission, Fees and Other Income

Commission, fees and other income are accounted for on an accrual basis. Commissions represent charges on foreign currency transactions processed on behalf of customers and is based on a percentage of the transaction value.

Dividends

Dividend income is recognised when the Bank's right to receive the payment is established.

2. SIGNIFICANT ACCOUNTING POLICIES, continued

p) Foreign Currencies

The Bank's consolidated financial statements are presented in Barbados dollars, which is also the functional currency.

Transactions and Balances

Transactions in foreign currencies are initially recorded by the Bank's entities at their respective functional currency spot rates at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

q) Property, Plant and Equipment

All property and equipment are stated at historical cost less accumulated depreciation, with the exception of land which is not depreciated. Historical cost includes expenditures that are directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the Consolidated Statement of Income and Comprehensive Income during the financial period in which they are incurred.

Depreciation on all property, plant and equipment is computed on the straight-line method at rates considered adequate to write-off the cost of depreciable assets, less salvage, over their useful lives.

The annual rates used are:

Freehold buildings	1% -5%
Furniture and equipment	10%- 25%
Vehicles	20%

Assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. The asset's recoverable amount is the higher of the asset's fair value less costs to sell and the value in use.

Gains and losses on disposal of property, plant and equipment are determined by reference to its carrying amount and are taken into account in determining net loss or gain on disposal.

2. SIGNIFICANT ACCOUNTING POLICIES, continued

r) Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

s) Balances Held Abroad and cash equivalents

Balances held abroad in the statement of financial position comprise cash at banks and short-term deposits which are subject to an insignificant risk of changes in value. For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, with an original contractual maturity of three months or less, as defined above.

t) Provisions

Provisions are recognised when the Bank has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Bank expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the Consolidated Statement of Income and Comprehensive Income net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

u) Pensions Benefits and Post-employment benefits

The Bank operates a defined benefit pension scheme for its eligible employees. The assets of the plan are held in a separately administered fund, established by the Bank. A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. The pension benefit is based on the final salary of the employee. The pension asset or liability is the present value of the defined benefit obligation at the reporting date less the fair value of plan assets. An approximate value of the defined benefit obligation is calculated every year by independent actuaries using the projected unit credit method based on detailed calculations carried out for the most recent triennial funding valuation. Under this method, the cost of providing pensions is charged to the consolidated statement of income and comprehensive income so as to spread the regular cost over the service lives of employees in accordance with the advice of qualified actuaries who carry out a full valuation of the plan every three years.

The pension obligation is measured as the present value of the estimated future cash outflows using interest rates of long-term government bonds that are denominated in the currency in which the benefits will be paid, and which have terms to maturity approximating the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised immediately in OCI. Past-service costs are recognised immediately in the consolidated statement of income and comprehensive income. The pension plan is funded by payments from the Bank, taking into account the recommendations of independent qualified actuaries. Employees were allowed to make additional voluntary contributions up to June 2019.

2. SIGNIFICANT ACCOUNTING POLICIES, continued

u) Pensions Benefits and Post-employment benefits, continued

The cost of the defined benefit pension plan and the present value of the pension obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

IFRIC 14 states that the limit on the measurement of a defined benefit asset may cause a minimum funding requirement to be onerous. Normally, a requirement to make contributions to a plan would not affect the measurement of the defined benefit asset or liability. This is because the contributions, once paid, will become plan assets and so the additional net liability is nil. However, a minimum funding requirement may give rise to a liability if the required contributions will not be available to the entity once they have been paid. As a result, the minimum funding requirements need to be considered in the determination of the net balance sheet position and an onerous liability may be applicable. Based on the most recent funding valuation report as at December 31, 2021, the Scheme is not fully funded on both going concern and solvency bases. As such, a statutory minimum funding requirement exists at the measurement date.

Post- employment benefits

The Bank operates a post-employment medical benefits for its retirees. The cost of the post-employment medical benefits is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty. All assumptions are reviewed at each reporting date. Further details are given in Note 20.

These benefits are unfunded. The entitlement to these benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment, using an accounting methodology similar to that for the defined benefit plans.

v) Significant Accounting Judgements and Estimates

The preparation of consolidated financial statements in conformity with IFRS requires management to make certain significant estimates and judgements that affect amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from these estimates.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The estimates and judgements that have an increased risk of causing material adjustments to the carrying amounts of assets and liabilities within the next financial year are discussed below.

2. SIGNIFICANT ACCOUNTING POLICIES, continued

v) Significant Accounting Judgements and Estimates, continued

Impairment Losses on Financial Assets

The measurement of impairment losses both under IFRS 9 across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The Bank's ECL calculations are outputs of models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- The Bank's credit grading model, which assigns a PD to the individual grades.
- The Bank's criteria for assessing if there has been a significant increase in credit risk, and therefore allowances for financial assets should be measured on a LTECL basis and the qualitative assessment.
- Development of ECL models, including the various formulas and the choice of inputs.
- Determination of associations between macroeconomic scenarios, economic inputs such as unemployment levels and collateral values, and the effect on PDs, EADs and LGDs.
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

It has been the Bank's policy to regularly review its models in the context of actual loss experience and adjust when necessary. Also see Note 22.

w) International Monetary Fund (IMF) Related Balances

The Bank transacts with the IMF in its own right rather than as the depository of the Government. All transactions between the Bank and the IMF have been included in these consolidated financial statements on that basis.

The Bank records the quota with the IMF as an asset and the amount payable to the IMF for quota is recorded as a liability of the Bank. The cumulative allocation of Special Drawing Rights (SDRs) by the IMF is treated as a liability. All the IMF related assets and liabilities are recognised at amortised cost using the effective interest rate method. Exchange gains and losses arising on revaluation of IMF assets and liabilities at the exchange rate applying at reporting date as published by the IMF are recognised in the consolidated statement of income and comprehensive Income. The Bank also Guarantees repayment of certain loans received by the Government from the IMF.

x) Notes and Coins in Circulation

Currency issued by the Bank represents a claim on the Bank in favour of the holder. The liability for Currency in Circulation is recorded at face value in the consolidated statement of financial position.

2. SIGNIFICANT ACCOUNTING POLICIES, continued

y) Trust and Custodial Activities

Amounts administered by the Bank under custodial and administration arrangements totaled $47,361 in 2022 ($20,832 in 2021).

$47,361 (2021: $20,832) of these amounts have been redeposited with the Bank. Also see Note 14.

z) New and revised standards and interpretations

The Bank applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2022. The Bank has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Property, Plant and Equipment: Proceeds before intended use – Amendments to IAS 16

The amendment to IAS 16 *Property, Plant and Equipment* (PP&E) prohibits an entity from deducting from the cost of an item of PP&E any proceeds received from selling items produced while the entity is preparing the asset for its intended use. It also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment.

Entities must disclose separately the amounts of proceeds and costs relating to items produced that are not an output of the entity's ordinary activities. These amendments had no impact on the consolidated financial statements of the Bank.

Reference to the Conceptual Framework – Amendments to IFRS 3

Minor amendments were made to IFRS 3 Business Combinations to update the references to the Conceptual Framework for Financial Reporting and add an exception for the recognition of liabilities and contingent liabilities within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets and Interpretation 21 Levies. The amendments also confirm that contingent assets should not be recognised at the acquisition date. These amendments had no impact on the consolidated financial statements of the Bank.

Onerous Contracts – *Cost of Fulfilling a Contract Amendments to IAS 37*

The amendment to IAS 37 clarifies that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling contracts. Before recognising a separate provision for an onerous contract, the entity recognises any impairment loss that has occurred on assets used in fulfilling the contract. These amendments had no impact on the consolidated financial statements of the Bank.

Annual Improvements to IFRS 2018–2020

The following improvements were finalised in May 2020:

- IFRS 9 *Financial Instruments* – clarifies which fees should be included in the 10% test for derecognition of financial liabilities.
- IFRS 16 *Leases* – amendment of illustrative example 13 to remove the illustration of payments from the lessor relating to leasehold improvements, to remove any confusion about the treatment of lease incentives.

2. SIGNIFICANT ACCOUNTING POLICIES, continued

z) New and revised standards and interpretations, continued

Annual Improvements to IFRS 2018–2020, continued

- IFRS 1 *First-time Adoption of International Financial Reporting Standards* – allows entities that have measured their assets and liabilities at carrying amounts recorded in their parent's books to also measure any cumulative translation differences using the amounts reported by the parent. This amendment will also apply to associates and joint ventures that have taken the same IFRS 1 exemption.
- IAS 41 *Agriculture* – removal of the requirement for entities to exclude cash flows for taxation when measuring fair value under IAS 41. This amendment is intended to align with the requirement in the standard to discount cash flows on a post-tax basis.

These amendments had no impact on the consolidated financial statements of the Bank.

Classification of Liabilities *as Current or Non-current – Amendments to IAS 1*

The narrow-scope amendments to IAS 1 *Presentation of Financial Statements* clarify that liabilities are classified as either current or non- current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (e.g. the receipt of a waiver or a breach of covenant). The amendments also clarify what IAS 1 means when it refers to the 'settlement' of a liability.

The amendments could affect the classification of liabilities, particularly for entities that previously considered management's intentions to determine classification and for some liabilities that can be converted into equity.

They must be applied retrospectively in accordance with the normal requirements in IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*. These amendments had no impact on the consolidated financial statements of the Bank.

Disclosure* of Accounting Policies *– Amendments to IAS 1 and IFRS Practice Statement 2

The IASB amended IAS 1 to require entities to disclose their material rather than their significant accounting policies. The amendments define what is 'material accounting policy information' and explain how to identify when accounting policy information is material. They further clarify that immaterial accounting policy information does not need to be disclosed. If it is disclosed, it should not obscure material accounting information.

Disclosure* of Accounting Policies *– Amendments to IAS 1 and IFRS Practice Statement 2

To support this amendment, the IASB also amended IFRS Practice Statement 2 Making Materiality Judgements to provide guidance on how to apply the concept of materiality to accounting policy disclosures. These amendments had no impact on the consolidated financial statements of the Bank.

Definition of Accounting *Estimates– Amendments to IAS 8*

The amendment to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* clarifies how companies should distinguish changes in accounting policies from changes in accounting estimates. The distinction is important, because changes in accounting estimates are applied prospectively to future transactions and other future events, but changes in accounting policies are generally applied retrospectively

2. SIGNIFICANT ACCOUNTING POLICIES, continued

z) New and revised standards and interpretations, continued

Definition of Accounting *Estimates– Amendments to IAS 8, continued*

to past transactions and other past events as well as the current period. These amendments had no impact on the consolidated financial statements of the Bank.

Sale or contribution of assets between an investor and its associate or joint venture – Amendments to IFRS 10 and IAS 28

The IASB has made limited scope amendments to IFRS 10 Consolidated financial statements and IAS 28 Investments in associates and joint ventures.

The amendments clarify the accounting treatment for sales or contribution of assets between an investor and its associates or joint ventures. They confirm that the accounting treatment depends on whether the non-monetary assets sold or contributed to an associate or joint venture constitute a 'business' (as defined in IFRS 3 Business Combinations).

Where the non-monetary assets constitute a business, the investor will recognise the full gain or loss on the sale or contribution of assets. If the assets do not meet the definition of a business, the gain or loss is recognised by the investor only to the extent of the other investor's interests in the associate or joint venture. The amendments apply prospectively.

In December 2015 the IASB decided to defer the application date of this amendment until such time as the IASB has finalised its research project on the equity method. These amendments had no impact on the consolidated financial statements of the Bank.

There are no other new or amended IFRS's or IFRIC interpretations that are not yet effective that would be applicable and expected to have a material impact on the Bank.

(Expressed in BDS $000)

3. BALANCES HELD ABROAD

Balances held abroad comprise:

	2022	2021
Current accounts	125,689	88,110
Short-term deposits due 3 months or less	360,103	300,000
Accrued Income	7,638	5,430
	493,430	393,540
Short-term Deposits due between 3 and 6 months	50,069	220,214
	543,499	613,754

Current accounts and short-term deposits with foreign banks earn interest at rates varying between 1.10% and 5.39% (2021: 0.02% and 0.35%).

4. FOREIGN SECURITIES

Foreign Securities at fair value comprise:

	2022		2021	
	Amortized Cost/Original Cost	**Fair Value**	**Amortized Cost/Original Cost**	**Fair Value**
Debt Securities at FVOCI:				
Bonds/Debentures - Regional	12,969	12,347	13,040	11,987
Bonds/Debentures - Other	2,136,010	1,951,673	2,140,992	2,126,333
	2,148,979	1,964,020	2,154,032	2,138,320
Equities Securities at FVOCI:				
Equities	286	313	286	313
	2,149,265	1,964,333	2,154,318	2,138,633

A cumulative net unrealised loss of $183,987 (2021: $13,797) arose on the revaluation of Securities and is included in OCI. Included in Bonds/Debentures is a 12- month ECL provision of $939 (2021: $1,428) on regional securities. This represents a decrease in ECL by $489 (2021: increase $112).

Bonds/Debentures earn interest at rates varying between 0.25% and 8.23% (2021: 0.25% and 5.50%) and mature between 3 months and 48 years (2021: 3 months and 49 years).

(Expressed in BDS $000)

5. DERIVATIVE FINANCIAL INSTRUMENTS

Fixed income future contracts

Currency futures represents commitments to purchase foreign currency at a fixed exchange rate at a specified date in the future. The contracts are initially recognised at fair value on the date that a derivative contract is established and are subsequently remeasured at fair value.

The following is an analysis of the currency futures held with positive fair values as at 31 December 2022

Currency purchased/ sold	Cost of contracts	Cost of contracts BDS$ of equivalent	Value date contracts	Fair Value
USD	5,535	11,070	Mar-23	86

The following is an analysis of the currency futures held with negative fair value as at 31 December 2022:

Currency purchased/ sold	Cost of contracts	Cost of contracts BDS$ of equivalent	Value date contracts	Fair Value
USD	23,310	46,620	Mar-23	(59)

6. IMF ASSETS

	2022	2021
Reserve tranche	33,895	35,646
Holdings of Special Drawing Rights	225,743	262,036
Total IMF assets	259,638	297,682

The Reserve Tranche and Holdings of Special Drawing Rights pertain to the value of SDRs at December 31, 2022.

The balances held at December 31, 2022 amounted to SDR 12,663 (2021: SDR 12,663) and SDR 84,338 (2021: SDR 93,088), respectively. The rate of translation of SDRs to Barbados dollars at December 31, 2022 is $1 = SDR 0.373600 (2021: $1 = SDR 0.355248).

Holding of Special Drawing Rights

The holding of SDRs is potentially a claim on the freely usable currencies of IMF members, in that holders of SDRs can exchange their SDRs for these currencies. The SDRs value as a reserve asset derives from the commitments of members to hold and accept SDRs, and to honor various obligations connected with the operation of the SDR system. The IMF ensures that the SDRs claim on free usable currencies is being honored in two ways: by designating IMF members with a strong external position to purchase SDRs from members with weak external positions, and through the arrangement of voluntary exchanges between participating members in a managed market.

(Expressed in BDS $000)

6. IMF ASSETS, continued

Holding of Special Drawing Rights, continued

On August 2, 2021 the IMF Board of Governors approved a general Allocation of SDRs for its members in order to boost liquidity at a time of unprecedented crisis. The SDR allocation increase will benefit all members, address the long-term global need for reserves, build confidence, and foster the resilience and stability of the global economy. It will particularly help the most vulnerable countries struggling to cope with the impact of the COVID-19 crisis.

As a result, on August 23, 2021 Barbados' Allocations increased by 90,574,000 SDRs, thereby increasing the Holdings of Special Drawing Rights and Allocations of Special Drawing Rights by a similar amount. See allocations at note 15.

IMF assets have no fixed terms of repayment and earned interest at rates varying between 0.05% and 2.48% (2021 rates varying between 0.05% and 0.13%).

7. LOCAL SECURITIES

Amounts comprise debt securities at amortised cost:

	2022		2021	
	Nominal Value	Amortised Cost	Nominal Value	Amortised Cost
Barbados Government Treasury Bills	209,644	207,220	209,644	207,220
Barbados Government Treasury Notes	212,370	210,099	-	-
	422,014	417,319	209,644	207,220
Barbados Government Debentures - Series H	414,440	414,046	414,440	415,100
Barbados Government Debentures - Series B	4,969	4,346	4,969	4,545
	841,423	835,711	629,053	626,865

On June 1, 2018, the Government announced its intention to restructure its public debt. Debt payments to foreign creditors would be suspended and payments to domestic creditors would be made on a best-effort basis while the Government finalised a comprehensive economic reform plan. Pursuant to a comprehensive debt restructuring agreement between the domestic creditors and the Government, under the Debt Holder (Approval of Debt Restructuring) Act on October 31, 2018 the Bank derecognised (i) Treasury Bills measured at amortised cost with a value of $1,529,543 and (ii) debentures measured at amortised cost with a value of $415,773 and recognised (i) Treasury Bills with a nominal value of $209,644 measured at originated credit impaired costs /fair value of $207,220 and (ii) debentures with a nominal value of $419,409 measured at original credit impaired cost/fair value of $419,646.

On March 28, 2020, the Government declared that a public emergency had arisen in Barbados, this emergency was extended into 2022. As a result, the Bank purchased Treasury Notes with a nominal value $212,370 during 2022. This purchase was in accordance with section 62. (1)(5) of the Central Bank Act.

(Expressed in BDS $000)

7. LOCAL SECURITIES, continued

The average yield on Treasury Bills during the year was 3.50% (2021: 3.50%). The average yield on Debentures was 6.90% (2021: 6.90%). The average yield on Treasury Notes was 4.25% (2021: N/A)

The carrying values in the previous table represents the costs less ECL, no discount is included.

The POCI Credit Impaired Lifetime ECL on local securities is $20,650 (2021: $22,041). This represents a decrease in ECL of $1,391 (2021: increase of $185). Also see Note 22.

8. FIXED DEPOSITS

Fixed deposits bear interest rates varying between 0.01% and 0.60% (2021: 0.01% and 0.60%) and have an original maturity date of more than ninety days to a year.

9. ADVANCES TO GOVERNMENT

	2022	2021
Advances to Government	214,385	189,805

The balance outstanding represents such advances made by the Bank and are within the authorised statutory limit. The advances earned interest at rate of 3.50% (2021: 3.50%). See further description at Note 22.

The limit in force was $220,600 from January to March 2022 and $220,600 from April to December 2022.

The limit in force was $228,293 from January to March 2021 and $220,600 from April to December 2021. There were no instances where the limit was breached in the years ended December 31, 2022 and 2021.

10. INVESTMENTS

Investment in Associate

The Bank has a 13.3% interest in the Industrial Credit Fund Loan Number 2260 BAR. The purpose of the credit fund is to assist borrowers in financing productive facilities and resources in Barbados as well as contribute to the economic development of the country. The Industrial Credit Fund Loan Number 2260 BAR is accounted for using the equity method in the consolidated financial statements.

The following table illustrates the summarised financial information of the investment in the Industrial Credit Fund Loan Number 2260 BAR:

(Expressed in BDS $000)

10. INVESTMENTS, continued

Investment in Associate, continued

	2022	2021
Assets	95,349	92,805
Liabilities	267	203
Equity	95,082	92,602
Revenue	3,567	2,200
Profit	2,278	1,074
Contributed Surplus	5,185	5,185
Bank carrying amount of the investment	12,646	12,343

The Bank's interest has been determined on the basis of unaudited financial statements of the Fund as the timing of receipt of the audited financial statements are after the finalization of the Bank's accounts.

The entity had no contingent liabilities or capital commitments as at December 31, 2022 and 2021.

Other investments

The Bank has other investments in The Barbados Deposit Insurance Corporation, the Barbados Stock Exchange and the Barbados Automated Clearing House Services as follows:

	Number of Shares	Number of Shares	2022 Carrying Value	2021 Carrying Value
Barbados Deposit Insurance Corporation (100%)	Common	1,000,000	1,000	1,000
Barbados Stock Exchange (1.1%)	Common	55,382	55	55
Barbados Automated Clearing House Services Incorporated (16.67%)	Common	250,560	251	251
Total			1,306	1,306

Investment in BDIC:

The Bank has a 100% interest in the BDIC which was established for the protection of depositors in the domestic financial system. See further description at Note 2(b).

The following table illustrates the summarised financial information of the investment in the BDIC:

(Expressed in BDS $000)

10. INVESTMENTS, continued

Other investments, continued

	2022	2021
Assets	88,917	79,868
Liabilities	31	66
Equity	88,886	79,802
Revenue	9,481	9,337
Profit	9,080	8,944
Bank carrying amount of the investment	1,000	1,000

The entity had no contingent liabilities or capital commitments as at December 31, 2022 and 2021.

11.a PROPERTY, PLANT AND EQUIPMENT

	Freehold Buildings	Furniture and Equipment	Vehicles	Total
Cost:				
January 1, 2021	126,142	75,361	815	202,318
Additions	506	5,343	-	5,849
Disposal/write-offs	-	(393)	-	(393)
December 31, 2021	126,648	80,311	815	207,774
Additions	1,466	4,881	-	6,347
Disposals/write-offs	-	(183)	-	(183)
December 31, 2022	128,114	85,009	815	213,938
Accumulated Depreciation:				
January 1, 2021	38,556	63,650	595	102,801
Charge for the year	2,085	3,183	72	5,340
Eliminated on disposals	-	(386)	-	(386)
December 31, 2021	40,641	66,447	667	107,755
Charge for the year	2,271	2,660	58	4,989
Eliminated on disposals	-	(167)	-	(167)
December 31, 2022	42,912	68,940	725	112,577
Net Book Value:				
December 31, 2022	85,202	16,069	90	101,361
December 31, 2021	86,007	13,864	148	100,019
December 31, 2020	87,586	11,711	220	99,517

(Expressed in BDS $000)

11.b LEASES

The Bank leases property to house its Hot-Site operations as part of its Business Continuity Framework. The lease is for 5 years with the option to renew.

(i) Amounts recognised in the consolidated statement of financial position:

	2022	2021
Right-of-use asset (Building)		
Balance brought forward	757	996
Depreciation	(239)	(239)
Balance carried forward	518	757

	2022	2021
Lease Liability		
Balance brought forward	787	1,010
Lease payments	(223)	(223)
Balance carried forward	564	787

	2022	2021
(ii) **Amounts recognised in Profit and loss**		
Depreciation charge on right-of-use assets	239	239
Interest expense on lease liabilities	42	42

12. OTHER ASSETS

Other assets include:

	2022	2021
Accrued income	1,629	358
Cheques in process of collection	4,543	1,041
Prepayments	14,866	6,851
Staff Advances	13,873	15,560
Sundry Balances	2,478	1,021
	37,389	24,831

Staff advances represent mortgages and other loans provided to employees of the Bank. Staff advances earn interest at rates of 2%, 4% or 6%. The amounts are net of ECL provision of $119 (2021: $119).

(Expressed in BDS $000)

12. OTHER ASSETS, continued

At December 31 the following categories of advances exist:

	2022	2021
Mortgages	9,824	11,143
Motor Vehicles	1,333	1,618
Education	188	696
Other	2,647	2,222
Less: Expected credit loss	(119)	(119)
	13,873	15,560

13. NOTES AND COINS IN CIRCULATION

	2022	2021
Notes	971,606	889,752
Coins	72,046	69,957
	1,043,652	959,709

In accordance with Section 35 of the new Act, the Bank is the sole authority to issue currency notes and coins for circulation in Barbados. Bank notes and coins in circulation are non-interest bearing and are redeemable on demand.

At December 31, 2022, the nominal value of numismatic coins sold, totaled approximately $11,582 (2021: $11,546) and is excluded from 'Notes and Coins in Circulation'. The liability for face value redemptions usually represents the expected net cash outflows to be incurred by the Bank if all face value coins are redeemed. This includes the estimated costs of redemptions offset by the market value of the precious metal content of the redeemed coins.

14. DEPOSITS OF GOVERNMENT, BANKS, FINANCIAL INSTITUTIONS AND OTHER

	2022	2021
Government	273,885	408,363
Banks	3,304,371	3,150,050
Financial Institutions	1,134	1,289
Other	240,127	216,159
	3,819,517	3,775,861

Included in deposits are the following:

a) Government deposits include amounts totalling $47,361 (2021: $20,832) which represents uninvested funds held on behalf of Government which the Bank manages in a custodial capacity. Also see Note 2(z).

(Expressed in BDS $000)

14. DEPOSITS OF GOVERNMENT, BANKS, FINANCIAL INSTITUTIONS AND OTHER, continued

b) Banks deposits include amounts totalling $565,272 (2021: $575,592) maintained by applicable local financial institutions for the purpose of meeting the Statutory Reserve Requirements. The Bank does not pay interest on statutory or excess deposits. Also included are foreign deposits totalling $56,228 (2021: $60,756) the Bank pays interest on foreign deposits at the rate of 0.10% (2021: 0.10%).

c) Other deposits include:
- amounts due to related parties and managed entities totalling $176,660 (2021: $163,107) which are unsecured, interest free with no fixed terms of repayment. Also see Note 19.
- amounts totalling $19,522 (2021: $18,248) on deposit from the Financial Services Commission which represent statutory deposits from insurance companies and abandoned property in the form of unclaimed matured insurance policies.
- amounts due to non-bank financial institutions totalling $40,927 (2021: $22,831).

15. ALLOCATION OF SPECIAL DRAWING RIGHTS AND LOAN – INTERNATIONAL MONETARY FUND

	2022	2021
Allocation of Special Drawing Rights	415,265	436,815

This amount of SDR 154,948 (2021: SDR 154,948) represents the liability to the IMF in respect of Special Drawing Rights (SDRs) allocated by the Fund. This allocation does not change unless there are cancellations or further allocations. Additionally, further changes arise from revaluations done by the Fund. Also see description at Note 6.

	2022	2021
IMF Loan (Extended Fund Facility)	374,732	394,091

The Extended Fund Facility (EFF) is a four-year facility provided by the IMF to support Balance of Payments and Government's economic reform and transformation agenda. The IMF approved the EFF of $580,000 equivalent to SDR 208 million in October 2018. This amount is equivalent to 220% of the country's quota with the IMF. The first tranche amounting to SDR 35 million (equivalent to BDS$101,000) was disbursed on October 1, 2018.

During 2019 two tranches of SDR 35 million (totalling $195,097) each were received. In June 2020 SDR 35 million (equivalent to $96,186) was received. In June 2020, the Bank and the IMF modified the terms of the EFF to allow the Fund to provide direct budget financing to the Government. As a result, the Fund advanced $181,300 (SDR 66M) and $137,954 (SDR 48 million) to the Government in June and December 2020 respectively. See Note 18.

Also, in December 2020, June 2021 and December 2021, the Bank was supposed to receive SDR 17 million (equivalent to $48,846 and $49,098 and $47,482 respectively) however these were provided as direct budget financing to the Government. The final direct budget financing tranche occurred in June 2022, when the Fund advanced $46,148 (SDR 17 million).

(Expressed in BDS $000)

15. ALLOCATION OF SPECIAL DRAWING RIGHTS AND LOAN – INTERNATIONAL MONETARY FUND, continued

The interest rate applicable on the EFF comprises of the basic rate charge, which is equivalent to the SDR interest rate plus 100 basis points. The effective rate is 2.188% (2021: 1.050%). Credit outstanding over 187.5 % of quota is subject to a surcharge of 200 basis points.

The loan is expected to be repaid in tranches totalling $23,421(2021: Nil) within one year, $242,014 (2021: $213,466) between 1 and 5 years and $109,297 (2021: $180,625) after 5 years. Interest on the loan is expected to be paid in amounts totalling $16,659 (2021: $6,246) within one year, $29,826 (2021: $26,318) between 1 and 5 years and $1,896 (2021: $5,482) after 5 years. Repayments will commence April 2023, repayments of $23,421 will be made during 2023.

All amounts provided as direct budget financing to the government are a liability of the government and not the Bank.

16. OTHER

This amount comprises:

	2022	**2021**
Accounts Payable	13,498	4,841
Contribution Payable – UWI Fund re Chair in Banking	1,161	1,161
Domestic Clearing	9,731	7,210
Dormant Accounts (i)	42,019	35,491
Frank Collymore Literary Endowment Fund	1,000	1,000
Repayment Guarantee to IMF (ii)	1,775	1,973
Sundry Balances	9,828	722
	79,012	52,398

(i) Dormant accounts comprise deposits made by Banks relating to abandoned property for which no activity was evidenced for a period of 10 years and said property is deposited with the Central Bank of Barbados in accordance with Section 88 (3) of the Financial Institutions Act, 1997-16. Under Section 90 the Bank shall pay these funds into the Consolidated Fund.

The Bank retains dormant amounts indefinitely unless requested by the Government.

(ii) Balance represents the ECL provision on the Bank's Guarantee to the IMF with respect to certain government debt. See further description at 18 (c).

17. CAPITAL AND RESERVES (DEFICIT)

The Bank manages its Capital in compliance with the new Act.

The Bank's objectives when managing capital are:

- To safeguard the value of the Barbados Dollar
- To promote financial stability in Barbados
- To safeguard the Bank's ability to continue as a going concern.

(Expressed in BDS $000)

17. CAPITAL AND RESERVES (DEFICIT), continued

The authorised capital of the Bank was 5,000 shares with no par value up to December 13, 2020. Shares of a value of $2,000 are fully paid and have been issued to the Minister of Finance, who holds them on behalf of the Government. On implementation of the new Act, the authorised capital was increased to $25,000.

Profits, Losses and Distributable earnings

Section 9 (2) of the new Act states that the earnings available for distribution shall be determined by deducting from the distributable profits the total amount of all unrealised gains, if any.

Based on the above adjustment, the distributable profit for the year is as follows:

	2022	2021
Distributable Profit:		
Net Income for the year	24,097	2,844
(Less): Net gain on FX currency revaluation	(29,002)	-
Share of profit of Associate	(303)	(143)
Net loss from subsidiaries	70	-
Balance as at December 31;	(5,138)	2,701

The new Act further notes in Section 10 that where the Board approves financial statements that have been validated by an external auditor, the Bank shall allocate the distributable earnings in the following order:

- where the paid-up capital of the Bank does not equal its authorised capital, the paid-up capital shall be increased by the net profits of the Bank for every financial year until the paid-up capital of the Bank is equal to its authorised capital;
- where the sum of capital and general reserves does not equal 7.5 per cent of the total monetary liabilities of the Bank, 100 per cent of distributable earnings shall be credited to the general reserve account after provision is made for the matters set out in above;
- payment of any amounts necessary to liquidate notes issued by the Government;
- credit to special reserve accounts established pursuant to section 8(3) of Act;
- credit to or satisfaction of any claims of the Bank on the Government where such claims remain unpaid;
- transfer to the Consolidated Fund after the matters above have been satisfied.

The Bank shall not pay or distribute interim dividends.

No distribution shall be made out of the net profits of the Bank or its reserves except in accordance with certain subsections noted below.

No distribution of profits shall be made where, in the determination of the Board, the assets of the Bank would be less than the sum of the liabilities and capital after such distribution is made.

Where in a financial year the Bank incurs a net loss, the loss shall first be charged to the general reserve account and subsequently applied against the capital account. The Bank transferred losses of $5,138 (2021: profits of $2,701) from Distributable Profit to General reserves.

(Expressed in BDS $000)

17. CAPITAL AND RESERVES (DEFICIT), continued

	2022	2021
Paid Up Capital		
Balance as at December 31, 2021 and 2022	25,000	25,000

General Reserve

The general reserve was accumulated out of net income and is consistent with Section 8 of the new Act.

	2022	2021
Balance as at January 1:	31,152	28,451
Transfer from Distributable Profit	(5,138)	2,701
Balance as at December 31:	26,014	31,152

Contributed Surplus

	Share of Contributed loss from Associate	Forgiveness of Loan due to Associate	Total
Balance as at December 31, 2021 and 2022	(733)	2,288	1,555

Forgiveness of loan due to Associate

During 2018, a subsidiary received a forgiveness of debt totalling $2,288 due to an Associate company as part of the directive from the Ministry of Finance that all state-owned entities and public sector bodies write off debts due to each other. The amount has been recorded in other comprehensive income as it relates to a transaction between common controlled entities.

Share of contributed loss from Associate

During 2019 an amount totalling $733 was recognised relating to the Bank's share of contributed loss from the Associate.

Fair Value Reserve

This amount relates to the cumulative unrealised gains or losses on securities at FVOCI.

Retirement Benefit Reserve

This amount relates to the net cumulative actuarial gains/losses and plan asset experience gains/losses of the pension plan and medical scheme.

(Expressed in BDS $000)

18. COMMITMENTS, CONTINGENCIES AND GUARANTEES

(a) During 2022, outstanding claims were either settled with the counter party or transferred to another Fund. At December 31, 2022, the Bank had no guaranteed settlements (2021: $973) under the following scheme:

	2022		2021	
	Value of Original Contract	**Outstanding Guarantees**	**Value of Original Contract**	**Outstanding Guarantees**
Small Business Guarantee Fund	-	-	1,645	973

No claims were made on the Bank by the above fund.

(b) Additionally, at December 31, 2022, the Bank had contracts for capital expenditure in the amount of $1,592 (2021: $794).

(c) On June 12, 2020, the Bank and the Ministry of Finance, Economic Affairs and Investment (MOF) executed a Memorandum of Understanding (MOU) regarding the respective responsibilities in connection with the direct budget financing received under the Extended Fund Facility with the IMF. The MOU provides that in the event the MOF does not hold sufficient funds with the Bank to repay the IMF, the Bank will proceed with the due payment which would become a liability of the MOF to the Bank. At December 31, 2022 the amount outstanding by Government to the IMF was $487,152 (2021: $457,004). The Bank recognised an ECL provision of $1,778 (2021: $1,976) and a release of $198 (2021: ECL expense of $1,973) on this guarantee. See Note 22.

(d) During the normal course of business, the Bank is subject to litigation in respect of certain claims made against it. There are no claims which are significant and require additional disclosure.

19. RELATED PARTIES

In the normal course of its operations, the Bank enters into transactions with related parties, and material transactions and balances are presented in these financial statements. Not all transactions between the Bank and government-related entities have been disclosed, as permitted by the partial exemption available to wholly-owned government entities in International Accounting Standard 24 Related Party Disclosures.

Other income includes management fees received as follows:

	2022	2021
Industrial Credit Fund	382	261
Housing Credit Fund	433	475
	815	736

(Expressed in BDS $000)

19. RELATED PARTIES, continued

The Bank also manages the Housing Credit Fund. The net assets and net loss disclosed in the Fund's unaudited financial statements are as follows:

	2022		2021	
	Net Assets	Net Loss	Net Assets	Net Loss
Managed Entity:				
Housing Credit Fund	119,124	(5,372)	131,474	(7,974)

The Bank provides funds-management, fiscal-agent and banking services to the Government of Barbados as set out in Part IX of the Act.

The Bank also provides management, investment and administrative support to the Bank's Pension Plan.

Key Management Personnel and Compensation

The key management personnel responsible for planning, directing and controlling the activities of the Bank are the members of the Board, Executive and other Senior Management.

The compensation of key management personnel is presented in the following table:

	2022	2021
Short-term employee benefits	5,928	6,057
Post-employment benefits	159	139
Directors' fees	60	72
Total compensation	6,147	6,268

	2022	2021
Staff advances to key management personnel total:	3,412	3,186

20. PENSION AND POST-RETIREMENT MEDICAL SCHEME

Pension Plan

The Central Bank of Barbados has established a non-contributory retirement plan for the benefit of its employees. The plan is a defined benefit plan. The assets of the plan are held in separate trust administered funds. A full actuarial valuation is obtained from an independent valuer at least every three years and a review is done annually. The most recent valuation was performed at December 31, 2021. The scheme is registered with the Financial Services Commission under the Occupational Pension Benefits Act, 2012.

(Expressed in BDS $000)

20. PENSION AND POST-RETIREMENT MEDICAL SCHEME, continued

a) The amounts recognised in the consolidated statement of financial position are as follows:

	2022	2021
Present value of defined benefit obligation	(144,618)	(145,874)
Fair value of plan assets	144,919	146,953
Net liability recognised in the consolidated statement of financial position	301	1,079

b) Reconciliation of amounts reported in the consolidated statement of financial position:

	2022	2021
Pension plan obligation, beginning of year	1,079	(13,456)
Net pension costs during the year	(2,138)	(3,198)
Re-measurements recognised in other comprehensive income	(6,224)	10,124
Contributions to pension scheme	7,584	7,609
Pension plan obligation, end of year	301	1,079

c) The movement in the defined benefit obligation are as follows:

	2022	2021
Opening defined benefit obligation	145,874	153,317
Current service cost	2,342	2,270
Interest cost	11,812	11,251
Employee's contributions	-	43
Actuarial gains	(5,347)	(5,620)
Benefits paid	(10,063)	(9,914)
Additional liability (IFRIC 14)	-	(5,897)
Change in unrecognised asset ceiling	-	424
Closing defined benefit obligation	144,618	145,874

d) The defined benefit obligation is allocated between the Plan's members as follows:

	2022	2021
	%	%
Active members	42.14	42.91
Deferred members	7.38	6.49
Pensioners	50.48	50.60

The weighted average duration of the defined benefit obligation as at 31 December, 2022 was 12.41 (2021: 12.58) years. 99.43% of the value of benefits for active members were vested while 47.81% of the defined benefit obligation for active members was conditional on future salary increases.

(Expressed in BDS $000)

20. PENSION AND POST-RETIREMENT MEDICAL SCHEME, continued

e) Movement in fair value of plan assets:

Movement in the fair value of plan assets over the year is as follows:

	2022	2021
Fair value of plan assets at the start of the year	146,953	139,861
Interest Income	449	9,358
Employer contribution	7,584	7,609
Employee's contributions	-	43
Benefits paid	(10,063)	(9,914)
Expense allowance	(4)	(4)
Fair value of plan assets at the end of the year	144,919	146,953

f) The amount recognised in the consolidated statement of income:

	2022	2021
Current service cost	2,342	2,270
Net Interest on the net defined benefit asset	(208)	500
Administration expenses	4	4
Change in unrecognised asset ceiling	-	424
Total included in staff cost	2,138	3,198

g) The amounts recognised in other comprehensive loss:

	2022	2021
Experience gains	(5,347)	(5,770)
Assumption loss	-	150
Expected return on plan assets	12,020	10,751
Actual return on plan assets	(449)	(9,358)
Additional Liability (IFRIC 14)	-	(5,897)
	6,224	(10,124)

h) The principal actuarial assumptions used:

	2022	2021
	%	%
Discount rate	8.25	8.25
Expected rate of future salary increases	6.25	6.25
Expected rate of future NIS ceiling increases	5.25	5.25
Expected rate of future pension increases	4.25	4.25
Expected rate of return on plan assets	8.25	8.25

(Expressed in BDS $000)

20.PENSION AND POST-RETIREMENT MEDICAL SCHEME, continued

h) The principal actuarial assumptions used, continued

Assumptions regarding future mortality are based on published mortality rates. The life expectancies underlying the present value of the benefit obligation outlined are as follows:

	2022 Years	2021 Years
Life expectancy at age 60 for current pensions:		
Male	25.11	25.03
Female	27.07	27.03
Life expectancy at age 60 for current members age 40 in years		
Male	26.67	26.60
Female	27.90	27.86

i) Plan assets are comprised as follows

	2022	2021
Employers:		
Fixed income securities	84,004	77,567
Equity securities	53,445	61,610
Cash	1,441	1,280
Other assets	755	829
Total	139,645	141,286

	2022	2021
Employees:		
Fixed income securities	5,156	5,378
Equity securities	118	289
Cash	-	-
	5,274	5,667
Total	144,919	146,953

As at December 31, 2022 approximately 61.52% (2021: 56.44%) of the Plan was directly invested in Barbados Government Debentures and Treasury Bills. The Plan has amounts totalling $487 (2021: $292) at the Bank which are included in Other Deposits as per Note 14.

(Expressed in BDS $000)

20. PENSION AND POST-RETIREMENT MEDICAL SCHEME, continued

i) Plan assets are comprised as follows, continued

Expected maturity analysis of undiscounted pension benefits:

	Less than 1 year	Between 1-2 years	Between 2-5 years	Over 5 years	Total
As at 31 December 2022					
Pension benefits	8,825	8,955	27,796	52,865	98,441
As at 31 December 2021					
Pension benefits	9,292	8,827	27,802	52,229	98,150

The sensitivity of the defined benefit obligation to changes in the significant actuarial assumptions is:

		Defined benefit Obligation	
Net Assets	**Change in assumption**	**Increase in assumption**	**Decrease in assumption**
Discount rate	1%	129,130	163,777
Salary growth rate	1%	152,749	137,613
Life expectancy	1 year	148,610	

j) Post-retirement medical scheme

The Bank operates a non-contributory post-retirement medical scheme through a group medical contract for its active employees, pensioners and their dependents. A valuation of the post-retirement medical obligation was carried out by an independent actuary at December 31 2022. The liability was not previously recognised. Management does not consider the impact on prior financial statements to be material, therefore, prior periods have not been amended and restated. The Bank has recognised $16,323 relating to prior periods in the Statement of Comprehensive Income at 31 December, 2022.

i) Net benefit cost (recognised in consolidated profit or loss):

	2022
Amounts recognised in respect of prior periods	16,323
Current service cost	357
Interest cost on benefit obligation	1,345
	18,025

(Expressed in BDS $000)

20.PENSION AND POST-RETIREMENT MEDICAL SCHEME, continued

ii) Reconciliation of amounts reported in the consolidated statement of financial position:

	2022
Amounts recognised in respect of prior periods	(16,323)
Net benefit cost relating to current period	(1,702)
Employer contributions	766
Effect of Statement of Other Comprehensive Income	924
Obligation, end of year	(16,335)

iii) Changes in the present value of the benefit obligations:

	2022
Amounts recognised in respect of prior periods	(16,323)
Current service cost	(357)
Interest cost	(1,345)
Benefits paid	766
Actuarial gains	924
Closing benefit obligation	(16,335)

iv) The amounts recognised in Other Comprehensive Income:

	2022
(Gain) loss from experience	(924)

v) Changes in the fair value of the plan assets:

	2022
Benefit obligation, beginning of year	-
Employer contributions	766
Employee contributions	-
Benefits paid	(766)
Pension plan obligation, end of year	-

20.PENSION AND POST-RETIREMENT MEDICAL SCHEME, continued

j) Post-retirement medical scheme, continued

vi) The Principal actuarial assumptions used:

	2022
	%
Discount rate	8.25
Medical claims inflation	4.50
Future expenses	Nil

21.TAXATION

The Bank is exempt from corporation tax in accordance with Section 72 (a) of the new Act.

22.FINANCIAL RISK MANAGEMENT

Introduction and Overview

By its nature, the Bank's activities are principally related to the use of financial instruments. The strategy for using these financial instruments is embedded in the mission of the Bank to foster an economic and financial environment conducive to sustainable economic growth and development.

The Bank has exposure to the following risks from its use of financial instruments:

- Credit risk
- Currency risk
- Liquidity risk
- Interest rate risk
- Operational risk

The Board of Directors has overall responsibility for the establishment and oversight of the Bank's risk management framework. It has established three committees for this purpose:

(i) Investment Committee, which is responsible for providing oversight on the conversion of investment strategy into performance, risk exposure for the Bank's Foreign Reserves, financial structure, and performance of the portfolio and investments.

(ii) Staff Advances Committee, which is responsible for evaluating and approving applications for staff loans.

(iii) Audit Committee, which is responsible for monitoring compliance with the Bank's risk management policies and procedures and for reviewing the adequacy of the risk management framework in relation to the risks faced by the Bank. The Audit Committee is assisted in these functions by the Internal Audit Department. This department undertakes both regular and ad hoc reviews of management controls and procedures, the results of which are reported to the Audit Committee.

(Expressed in BDS $000)

22.FINANCIAL RISK MANAGEMENT, continued

The nature of the risks and manner in which they are measured and managed are as set out below:

Credit Risk

Credit risk is the risk of loss arising from a counter-party to a financial contract failing to discharge its obligations. This risk arises primarily from the Bank's foreign and local currency investment securities, balances held abroad, interest in funds managed by agents, Advances to Government and State-Owned Enterprises and other assets.

The Bank's risk management policies are designed to identify and analyse these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems. The Bank regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practices. In addition, the Bank, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their role and obligations.

Foreign Securities and Balances Held Abroad

The Bank manages credit risk by placing limits on its holdings of securities issued or guaranteed by governments and international institutions. The investment guidelines, which are approved by the Board of Directors, and administered by the Investment Committee stipulates the limits on the level of credit risk by various factors. They also stipulate the minimum required ratings issued by rating agencies for its international investments. The Bank further manages this risk by ensuring that business is only conducted with its approved banks and by monitoring those banks' deposit ratings.

The Bank uses the credit ratings ascribed by Moody's Investor Services and Standard & Poor's Financial Services LLC and Fitch as its main criteria for assessing the creditworthiness of financial institutions and sovereigns. The Bank's foreign investments are restricted to market placements with financial institutions with minimum credit ratings of A. Regional securities are unrated.

The table below presents an analysis of the Bank's foreign securities by rating agency designation at December 31, 2022 and December 31, 2021, based on Moody's or equivalent:

Foreign Securities:

	2022	**2021**
Rated (Moody's)		
AAA	1,074,317	1,072,230
AA+	690,601	836,278
A+	96,191	118,362
AA-	81,609	89,773
Aa2	8,955	9,690
	1,951,673	2,126,333
Unrated		
Regional Securities	12,347	11,987
Equities Securities	313	313
Total Foreign Securities	1,964,333	2,138,633

(Expressed in BDS $000)

22.FINANCIAL RISK MANAGEMENT, continued

The Bank considers foreign securities with a S&P rating of 'A' or equivalent as High Grade and unrated regional securities not in default as standard grade. When a security, subsequent to purchase, ceases to be eligible under the S&P rating system the Investment manager shall divest the relevant investment on a best efforts basis as soon as possible.

Foreign securities are held in the following asset categories:

	2022	2021
Asset Backed Securities	71,158	101,908
Mortgage Backed Securities	23,238	31,318
Treasuries	9,322	223,100
Government Bonds	620,644	464,626
Supranational Bonds	454,205	531,888
Corporates	226,547	259,950
Agencies	539,735	515,430
Other	19,484	10,413
Total	1,964,333	2,138,633

Local Securities

These include Government Bonds/Debentures which are classified as POCI and were obtained in 2018. This category also includes Treasury Notes acquired during 2022 which are further described at Note 7 and are classified as Stage 1.

Prior to 2018, the Bank purchased Treasury Bills on the primary market through auctions managed by the Accountant General and the secondary market in order to provide liquidity to commercial banks. There were no such purchases in 2022 or 2021.

Under the Central Bank of Barbados (Amendment) Act 2018, there was a limit on indebtedness to the Government on the holding of primary issue of securities. This amendment states that:

"The Bank may in any financial year purchase or otherwise acquire, on a primary issue, notes, bills, securities and other evidences of indebtedness issued or guaranteed by the Government, its institutions, agencies and statutory boards up to a nominal value of ten per cent of the estimated expenditure of the Government in that financial year, or such other percentage as the House of Assembly may from time to time by resolution approve".

With the enactment of the new Act the Bank is prohibited by section 62 (1) and (3) with some exceptions from providing direct or indirect financing to Government or State-Owned entities. The Bank is also prohibited from purchasing securities from the Government or any Government Owned entities.

22.FINANCIAL RISK MANAGEMENT, continued

According to section 62 (8) of the said Act, where by on enactment it is declared that a public emergency has arisen in Barbados, the Bank may purchase marketable securities issued by the Government or State-owned entities on the primary market.

The total amount of debt acquired as a result of public emergency shall be:

- limited to 3 per cent of Gross Domestic Product
- have a maximum maturity of 5 years
- be issued at prevailing market rates
- issued in cash only and;
- shall not be rolled over or renewed.

During 2020 public emergency was declared. This emergency was extended into 2022. Also see Note 7. The limit on indebtedness was not breached during the year.

Advances to Government

Advances are based on approved statutory allocation limits. Requests for advances are reviewed to ensure that the amounts are within the approved allocated limits which are reviewed annually.

Advances are subject to the following conditions based on Section 62 of the new Act:

- the total aggregate amount cannot exceed at any time 7.5 per cent of the annual average of the ordinary revenue of the Government for the 3 financial years immediately preceding for which accounts are available;
- repayment in cash only within 3 months after the end of the financial year of the Government;
- bear interest at a prevailing market rate;

Advances to Staff

Advances to staff are authorised under section 70 of the new Act and the Bank established a Staff Advances Committee, which is responsible for evaluating and approving applications for staff loans under the CBB (Terms and Conditions of Advances to Employees) Regulations, 2010.

Advances are based on Board approved allocation limits. Requests for advances are reviewed to ensure that the amounts are within the approved limits. The approved limits are reviewed annually. The Bank obtains the appropriate collateral as a risk mitigating tool when advances are issued.

Concentrations

The Bank is significantly exposed to credit risk arising from its transactions with the Government which mainly comprise of local securities and advances. These items represent approximately 26% (2021: 21%) of total assets.

The Consolidated Statement of Financial Position amounts represent the maximum exposure to credit risk before collateral or other credit enhancement items are considered.

(Expressed in BDS $000)

22.FINANCIAL RISK MANAGEMENT, continued

Expected Credit Loss

The table below shows the ECL charges on financial instruments for the year recorded in the consolidated statement of income. For the purposes of the below table, the expected credit loss allocated to each stage includes the remeasurement of assets transferred from one stage to another, and movements between stages have been netted off. Derecognition and write-offs have been treated as movements in the ECL loss allowance and reconciliations and explanations in respect of the movement are provided in each asset class note.

Expected Credit Loss, continued

2022	Note	Stage1	Stage2	Stage 3	POCI*	Total
January 1:		2,095	1,428	-	22,041	25,564
Regional securities:						
Changes in assumptions	4	-	(489)	-	-	(489)
Repayment Guarantee to IMF:						
Remeasurement	17(c)	(198)	-	-	-	(198)
Local Securities:						
Unwinding of ECL/Discount	6	-	-	-	(4,739)	(4,739)
Remeasurement - Bonds	6	-	-	-	2,767	2,767
Recognition - Treasury Notes	6	2,271	-	-	-	2,271
		2,073	(489)	-	(1,972)	(388)
December 31:		4,168	939	-	20,069	25,176

2021	Note	Stage1	Stage2	Stage 3	POCI*	Total
January 1:		119	1,540	-	21,856	23,515
Regional securities:						
Changes in assumptions	4	-	(112)	-	-	(112)
Repayment Guarantee to IMF:						
Remeasurement	17(c)	1,976	-	-	-	1,976
Local Securities:						
Reversal	6	-	-	-	(155)	(155)
Unwinding of ECL/discount	6	-	-	-	(6,706)	(6,706)
Remeasurement	6	-	-	-	7,046	7,046
		1,976	(112)	-	185	2049
December 31:		2,095	1,428	-	22,041	25,564

** The ECL amounts disclosed for POCI instruments represents the embedded ECL recognised within the carrying value*

22.FINANCIAL RISK MANAGEMENT, continued

Expected Credit Loss

Foreign securities are predominantly A rated as disclosed earlier in Note 22. Management has assessed that ECL as insignificant. There were no changes in between classification stages.

A one rate improvement in credit ratings will cause profit to increase by $19,654 (2021: $20,040). A one rate deterioration in credit ratings will cause profit to decrease by $33,646 (2021: $33,253).

Currency Risk

Currency risk is the risk that the market value of, or cash flow from, financial instruments will vary because of exchange rate fluctuations.

The Bank is exposed to fluctuations in the prevailing foreign currency exchange rates on transactions and balances denominated in currencies other than USD. Management seeks to manage this risk by monitoring the levels of exposure by currency. The main risk relates to balances held with the IMF in SDRs. See notes 6 and 15. The SDR serves as the unit of account for the IMF and its value is based on a basket of five major currencies: the euro, the US dollar, the British pound, the Japanese yen and the Chinese renminbi. SDRs are translated into Barbados dollar equivalents at rates provided by the Fund.

22. FINANCIAL RISK MANAGEMENT, continued

Currency Risk, continued

As at December 31, 2022, the Bank's exposure to major currencies, in $000s, was as follows:

	US	GBP	CAD	EURO	BDS	SDR	OTHER	TOTAL
Assets								
Balances Held Abroad	533,447	750	8,818	465	-	-	19	543,499
Foreign Notes and Coins	12,088	8,079	2,552	3,606	-	-	668	26,993
Foreign Securities	1,951,986	-	-	-	-	-	12,347	1,964,333
Derivative financial instruments	27	-	-	-	-	-	-	27
IMF Related Assets	-	-	-	-	-	259,638	-	259,638
Barbados Government T-Bills	-	-	-	-	207,220	-	-	207,220
Barbados Government Treasury Notes	-	-	-	-	210,099	-	-	210,099
Barbados Government Debentures	-	-	-	-	418,392	-	-	418,392
Fixed Deposits	-	-	-	-	9,350	-	-	9,350
Government Advances	-	-	-	-	214,385	-	-	214,385
Other Assets	-	-	-	-	34,732	-	-	34,732
Total Assets	2,497,548	8,829	11,370	4,071	1,094,178	259,638	13,034	3,888,668
Liabilities								
Notes and Coins in Circulation	-	-	-	-	1,043,652	-	-	1,043,652
Government Deposits	-	-	-	-	273,885	-	-	273,885
Deposits of Banks	51,680	31	2,240	-	3,250,420	-	-	3,304,371
Deposits of Financial Institutions	-	-	-	-	-	1,134	-	1,134
Other Deposits	-	-	-	-	240,127	-	-	240,127
Allocation of Special Drawing Rights	-	-	-	-	-	415,265	-	415,265
IMF Loan	-	-	-	-	-	374,732	-	374,732
Lease Liability	-	-	-	-	564	-	-	564
Other Liabilities	-	-	-	-	78,614	-	-	78,614
Total Liabilities	51,680	31	2,240	-	4,887,262	791,131	-	5,732,344
Net Position	2,445,868	8,798	9,130	4,071	(3,793,084)	(531,493)	13,034	(1,843,676)

22. FINANCIAL RISK MANAGEMENT, continued

Currency Risk, continued

As at December 31, 2021, the Bank's exposure to major currencies, in $000s, was as follows:

As at December 31, 2021

	US	GBP	CAD	EURO	BDS	SDR	OTHER	TOTAL
Assets								
Balances Held Abroad	578,695	1,419	1,258	32,248	-	-	134	613,754
Foreign Notes and Coins	7,465	3,632	398	604	-	-	121	12,220
Foreign Securities	2,126,646	-	-	-	-	-	11,987	2,138,633
IMF Related Assets	-	-	-	-	-	297,682	-	297,682
Barbados Government T-Bills	-	-	-	-	207,220	-	-	207,220
Barbados Government Debentures	-	-	-	-	419,645	-	-	419,645
Fixed Deposits	-	-	-	-	10,140	-	-	10,140
Government Advances	-	-	-	-	189,805	-	-	189,805
Other Assets	-	-	-	-	24,831	-	-	24,831
Total Assets	2,712,806	5,051	1,656	32,852	851,641	297,682	12,242	3,913,930
Liabilities								
Notes and Coins in Circulation	-	-	-	-	959,709	-	-	959,709
Government Deposits	-	-	-	-	408,363	-	-	408,363
Deposits of Banks	54,841	35	2,374	-	3,092,800	-	-	3,150,050
Deposits of Financial Institutions	-	-	-	-	-	1,289	-	1,289
Other Deposits	-	-	-	-	216,159	-	-	216,159
Allocation of Special Drawing Rights	-	-	-	-	-	436,815	-	436,815
IMF Loan	-	-	-	-	-	394,091	-	394,091
Lease Liability	-	-	-	-	787	-	-	787
Other Liabilities	-	-	-	-	52,398	-	-	52,398
Total Liabilities	54,841	35	2,374	-	4,730,216	832,195	-	5,619,661
Net Position	2,657,965	5,016	(718)	32,852	(3,878,575)	(534,513)	12,242	(1,705,731)

22. FINANCIAL RISK MANAGEMENT, continued

Currency Risk, continued

The following tables demonstrate the sensitivity of profit to a reasonably possible change in foreign exchange rates, with all other variables held constant.

Sensitivity of Profit in BDS '000s at December 31, 2022

	Effect on profit of 5% Increase	Effect on Profit of 5% Decrease
Assets		
EURO	204	(204)
GBP	441	(441)
CAD	568	(568)
SDR	12,982	(12,982)
Liabilities		
GBP	(2)	2
CAD	(112)	112
SDR	(39,556)	39,556

Sensitivity of Profit in BDS '000s at December 31, 2021

	Effect on profit of 5% Increase	Effect on Profit of 5% Decrease
Assets		
EURO	1,643	(1,643)
GBP	253	(253)
CAD	83	(83)
SDR	14,884	(14,884)
Liabilities		
GBP	(2)	2
CAD	(119)	119
SDR	(41,610)	41,610

Liquidity Risk

Liquidity risk is the risk that the Bank will not be able to meet its financial liabilities as they fall due. Prudent liquidity management requires maintaining sufficient cash and marketable securities, and ensuring the availability of funding through an adequate amount of committed standby credit facilities to meet commitments.

(Expressed in BDS $000)

22.FINANCIAL RISK MANAGEMENT, continued

The Bank's exposure to liquidity risk to meet foreign liabilities, as an institution, is limited due to the amount owed to overseas creditors/lenders. Management of liquidity risk relates primarily to the availability of liquid foreign resources to sell to the Government and its State-Owned Enterprises to repay their suppliers and lenders.

The table below analyses assets and liabilities of the Bank into relevant maturity profiles based on the remaining period at the reporting date to the contractual maturity date.

2022

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	>5 years	Total
Foreign Currency Assets						
Balances Held Abroad	543,499	-	-	-	-	543,499
Foreign Notes and Coins	26,993	-	-	-	-	26,993
Foreign Securities	12,660	43,213	150,736	1,421,826	335,898	1,964,333
Derivative financial instruments	27	-	-	-	-	27
IMF Related Assets	259,638	-	-	-	-	259,638
Total Foreign Currency Assets	842,817	43,213	150,736	1,421,826	335,898	2,794,490
Local Currency Assets						
Barbados Government T-Bills	-	-	207,220	-	-	207,220
Barbados Government Debentures	-	-	-	84,032	334,360	418,392
Barbados Government Treasury Notes	-	-	-	210,099	-	210,099
Fixed Deposits	-	-	9,350	-	-	9,350
Government Advances	214,385	-	-	-	-	214,385
Other Assets	9,080	7	203	15,865	9,576	34,731
Total Local Currency Assets	223,465	7	216,773	309,996	343,936	1,094,177
Total Assets	1,066,282	43,220	367,509	1,731,822	679,834	3,888,667
Liabilities						
Notes and Coins in Circulation	1,043,652	-	-	-	-	1,043,652
Government Deposits	273,885	-	-	-	-	273,885
Deposits of Banks	3,304,371	-	-	-	-	3,304,371
Deposits of Financial Institutions	1,134	-	-	-	-	1,134
Derivative financial instruments						
Other Deposits	240,127	-	-	-	-	240,127
Allocation of Special Drawing Rights	415,265	-	-	-	-	415,265
IMF Loan	-	4,393	35,687	271,840	111,193	423,113
Lease Liability	-	-	-	564	-	564
Other Liabilities	77,063	-	-	-	-	77,063
Total Liabilities	5,355,497	4,393	35,687	272,404	111,193	5,779,174

(Expressed in BDS $000)

22.FINANCIAL RISK MANAGEMENT, continued

Liquidity Risk, continued

2021

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	>5 years	Total
Foreign Currency Assets						
Balances Held Abroad	613,754	-	-	-	-	613,754
Foreign Notes and Coins	12,220	-	-	-	-	12,220
Foreign Securities	21,991	-	112,673	1,266,927	737,042	2,138,633
IMF Related Assets	297,682	-	-	-	-	297,682
Total Foreign Currency Assets	945,647	-	112,673	1,266,927	737,042	3,062,289
Local Currency Assets						
Barbados Government T-Bills	-	-	207,220	-	-	207,220
Barbados Government Debentures	-	-	-	-	419,645	419,645
Fixed Deposits	-	-	10,140	-	-	10,140
Government Advances	189,805	-	-	-	-	189,805
Other Assets	9,526	11	288	3,621	11,385	24,831
Total Local Currency Assets	199,331	11	217,648	3,621	431,030	851,641
Total Assets	1,144,978	11	330,321	1,270,548	1,168,072	3,913,930
Liabilities						
Notes and Coins in Circulation	959,709	-	-	-	-	959,709
Government Deposits	408,363	-	-	-	-	408,363
Deposits of Banks	3,150,050	-	-	-	-	3,150,050
Deposits of Financial Institutions	1,289	-	-	-	-	1,289
Other Deposits	216,159	-	-	-	-	216,159
Allocation of Special Drawing Rights	436,815	-	-	-	-	436,815
IMF Loan	-	-	-	246,030	186,107	432,137
Lease Liability	-	-	-	787	-	787
Other Liabilities	52,398	-	-	-	-	52,398
Total Liabilities	5,224,783	-	-	246,817	186,107	5,657,707

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Bank's exposure to interest rate risk in the form of fluctuating cash flows is attributable to; Balances Held abroad, Foreign Securities, IMF related assets, Government Advances, other assets and also on its financial liabilities attributable to deposits, IMF related liabilities and the loan facility.

22. FINANCIAL RISK MANAGEMENT, continued

A 50-basis point change in interest rates would cause an inverse movement in income of $2,155 (2021: $2,266). In 2022, a 50 basis points increase in interest rates would cause other comprehensive income to decrease by $30,246 and a 50 basis points decrease in interest rates would cause other comprehensive income to increase by $32,532. In 2021, a 50 basis points increase in interest rates would cause other comprehensive income to decrease by $32,465 and a 50 basis points decrease in interest rates would cause other comprehensive income to increase by $32,185.

Operational Risk

Operational risk is the risk of direct or indirect loss in both financial and non-financial terms arising from a wide variety of causes associated with the Bank's processes, personnel, technology and infrastructure. It may also arise from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour.

Managing operational risk in the Bank is seen as an integral part of day-to-day operations and management, which includes explicit consideration of both the opportunities and the risks of all business activities. The Bank's objective is to manage operational risk so as to balance an avoidance of financial losses and damage to the Bank's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity. The primary responsibility for the development and implementation of controls to address operational risk is assigned to the management team of each department. This responsibility is supported by bank-wide corporate policies which describe the standard of conduct required of staff and specific internal control systems designed around the particular characteristics of the Bank.

23. FAIR VALUE MEASUREMENT

Determination of fair value and fair value hierarchy

The Bank uses the following hierarchy for determining and disclosing their fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: observable prices in inactive markets for identical assets or liabilities and techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The following table provides the fair value measurement hierarchy of the Bank's assets and liabilities.

Fair value measurement hierarchy for assets and liabilities as at December 31, 2022:

(Expressed in BDS $000)

23. FAIR VALUE MEASUREMENT, continued

The following table provides the fair value measurement hierarchy of the Bank's assets and liabilities.

Fair value measurement hierarchy for assets and liabilities as at December 31, 2022:

	(Level 1)	(Level 2)	(Level 3)
Debt Securities at FVOCI	340,259	1,623,758	-
Equity Securities at FVOCI	-	-	313
Derivatives at FVTPL	27	-	-
	340,286	1,623,758	313

Fair value measurement hierarchy for assets and liabilities as at December 31, 2021:

	(Level 1)	(Level 2)	(Level 3)
Debt Securities at FVOCI	396,067	1,742,253	-
Equity Securities at FVOCI	-	-	313
	396,067	1,742,253	313

During the current year, the Bank reassessed its fair value levelling process and identified securities of $1,730,266 with observable prices that were not traded in an active market as at December 31, 2021. The corresponding disclosures have been revised to include those securities within Level 2 as at December 31, 2021.

Fair value of financial instruments not carried at fair value

The following describes the methodologies and assumptions used to determine fair values for those financial instruments which are not already recorded at fair value in the financial statements:

For financial assets and liabilities that are liquid or have a short-term maturity, it is assumed that the carrying amounts approximate to their fair value.

For all other financial instruments, it is assumed that the carrying amounts also approximate to their fair value, except as noted below:

Local Securities

	2022		2021	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Barbados Government Debentures	418,392	407,995	419,645	403,394
Barbados Government Treasury Notes	210,099	207,579	-	-
	628,491	615,574	419,645	403,394

CENTRAL BANK OF BARBADOS
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